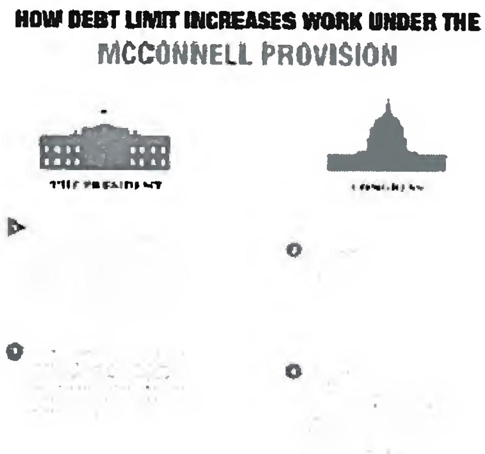
Non-responsive

From: Anderson, Matthew
Sent: Wednesday, December 05, 2012 14:39
To: _DL_FYI
Subject: FireDogLake (Blog): Treasury's Perfect, Impossible-to-Pass Debt Limit Plan

FireDogLake (Blog): Treasury's Perfect, Impossible-to-Pass Debt Limit Plan

By: David Dayen Wednesday December 5, 2012 11:33 am



Jenni LeCompte at the Treasury Department fleshes out the permanent debt limit de-fanging proposal that Tim Geithner offered as part of the initial White House term sheet on the fiscal slope. She adds the nice touch of calling it the McConnell proposal, since the Republican Senate leader offered a version of it, which actually went into practice, during the last debt limit showdown. Here's how Geithner described it on Meet the Press over the weekend:

What we propose to them is they extend what's called the McConnell provision. This was a solution Senator McConnell offered last summer, which was enacted — summer of 2011 — which was enacted into law, supported by Republicans And the way that works is the President would have the obligation periodically of requesting an increase in the debt limit, and then Congress would have the chance, then, to express its views on the merits of that proposal by disapproving that. And then the President would have to decide, if a bill came to his desk, about whether to veto that or sign it. Of course, he'd veto it in that context. And the virtue of that mechanism proposed by Senator McConnell, a man of impeccable conservative credentials, is to make sure that the country is not left at risk of periodic threats of default. It's a very good idea. It was a Republican idea. And we're suggesting they extend it.

The "man of impeccable credentials" boot-shine lays it on a bit thick, but that's generally the idea. Basically, Congress would get their opportunity to weigh in on the debt limit without threatening the full faith and credit of the US government in the process. In an extreme circumstance, a 2/3 veto override would block the debt limit. But as a practical matter that would probably never happen. And so Congress can return the debt limit to its historical purpose, a chance to fulminate

about the "mountain of debt" without a serious threat that the government would not be allowed to borrow to pay bills already incurred through legislation and appopriations.

I suppose you could envision a loophole, in the way LeCompte describes it, in the idea that "the provision was specifically designed to permit increases in the debt limit only after both houses of Congress were given the opportunity to vote on whether to approve or disapprove any increases." What if the House or Senate just never holds a vote? A-ha, well the debt limit increase automatically takes effect after 15 days of the request unless the resolution of disapproval passes and clears the veto (if the resolution passes and gets vetoed, Congress has 15 days to override or the debt limit gets raised automatically). So there's no real loophole there.

Which is why it has almost no chance of passing. Typically, politicians don't willingly vote to trade away their own leverage for nothing. Maybe in exchange for Republicans getting everything they ask for in a debt limit deal, they enact something like this. But I'd be surprised if it were for any permanent length of time, rather than on a temporary basis. Although they took a hit politically, Republicans got something tangible from the debt limit debacle -- a $1 trillion spending cap that constrains government finances a decade into the future (more, really, given the realities of baselines). Moreover, they set the precedent of a big showdown over the debt limit, along with the Boehner rule of $1 in cuts for every $1 in debt limit increase. Why would Republicans give that up? They have precious little other leverage to speak of, and their ideas are unpopular.

In short, Treasury has a great idea here in theory, because there's no reason for the debt limit to exist, and this plan basically renders it irrelevant. If and when Democrats get a hold of all three branches of government, I'd expect them to pass this immediately. But in a divided Congress, I doubt the side not in the White House would vote in favor of their own irrelevance. Treasury should fire up the $1 trillion coin-minting machine, a perfectly legal way for Treasury to keep paying the bills if Congress stubbornly refuses to act. Because that's what it will take to get this debt limit increased without massive concessions, and though it sounds ridiculous, it's no more ridiculous than the concept of the debt limit itself. Either that, or the President could simply judge that the 14th Amendment provision, which says "The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned," supersedes the debt limit, making it inactive.

Get ready for more of these fun debates come February.

Non-responsive

From: Anderson, Matthew
Sent: Wednesday, December 05, 2012 13:02
To: _DL_FYI
Subject: NY Mag (Chait): Obama: No More Debt Ceiling Extortion

NY Mag (Chait): Obama: No More Debt Ceiling Extortion

By Jonathan Chait

Till Will McAvoy from The Newsroom, maybe just let him walk away.

In the wake of its failed negotiations with the new Republican Congress that swept into power in the 2010 elections, the Obama administration learned some painful lessons. The main point of my long print story about this from October was that Obama had learned from his failures and was developing a plan to handle the negotiations that was going to surprise liberals and conservatives alike with its toughness. The first, and most important, piece of the strategy is using the expiration of the Bush tax cuts as a leverage point to isolate the GOP's unpopular attachment to keeping tax cuts for the rich low. That goal seems well on its way to being accomplished. Now Obama is already moving on to the next piece — the debt ceiling.
Much as they had expected they could win the tax-cut fight by replaying their 2010 strategy of refusing to extend tax cuts for anybody unless the top rates were included, Republicans have

been planning to replay their 2011 strategy of using the debt ceiling as a hostage to extract concessions. It worked in 2011 for various reasons that no longer hold true: Obama's looming reelection made a threat to market stability especially potent, and Obama genuinely believed House Republicans would compromise with him out of a desire to reduce the long-term deficit.
Today, the Obama administration began to strongly signal that it won't let that happen again.
The Treasury Department released a detailed proposal to replace the debt ceiling — a strange ritual that almost no other country has and which serves no purpose — with a system that would allow Congress to disapprove of deficits without threatening an international crisis. Obama today told business leaders that the debt ceiling "is not a game that I will play" and that "we've got to break that habit before it starts."

The unanswered question is how Obama plans to break that habit. One possibility would be to include a reform of the debt ceiling into whatever deal he strikes with Republicans. If no deal is in place by the time the debt ceiling has to rise, probably in February, then Obama will be faced with a choice of exercising a unilateral option to ignore the debt ceiling, either by citing the Fourteenth Amendment or by minting a platinum coin, two options that have relatively strong legal basis. In all likelihood, it won't come to that, because once January hits, the main impediment to an agreement (the Bush tax cuts for the rich) will be gone, and a deal will be pretty simple to make.

But Republicans are hoping the debt ceiling will give them leverage over Obama in shaping that deal. Obama is suggesting he won't allow it. I suspect he's right about that. It's not 2011 anymore.

Non-responsive

From: Anderson, Matthew
Sent: Wednesday, December 05, 2012 09:00
To: _DL_FYI
Subject: Slate (Yglesias): Gene Sperling Says Fiscal Cliff Deal Must Address Debt Ceiling

Slate (Yglesias): Gene Sperling Says Fiscal Cliff Deal Must Address Debt Ceiling

By Matthew Yglesias

Posted Wednesday, Dec. 5, 2012, at 8:40 AM ET

National Economic Council director Gene Sperling offered yesterday what I think is the most cogent case on the merits for why any fiscal cliff deal must address the debt ceiling issue as well. His point is basically that what's undesirable about going over the cliff is primarily the "uncertainty" and planning problems doing so would create, but these issues aren't actually resolved unless the debt ceiling is also addressed:

> Make no mistake about it: no budget agreement – however robust – will provide the economic certainty and confidence we aspire to if job creators, investors and working families believe that, after we reach that agreement, just months down the road, we will start the next round of debt limit debacles. As both economist and business leaders have told us, only the greatest national tragedies have competed with the debt limit debacle of 2011 in terms of damaging consumer confidence. So let's be clear: if we want to see the economic benefit of a bipartisan budget agreement we need to agree that the era of threatening the default of the United States as a budget tactic is over. The full faith and credit of the United States of America is something we should cherish and never use as a bargaining tool by any side. This should be beyond question at this moment.

My view is that if there's no other way around the debt ceiling, the president can and should deploy the platinum coin option but while that's certainly better than default it's a good deal worse from a confidence standpoint than simply addressing the issue legislatively. The Obama administration's proposal for a permanent McConnell-style solution in which congress gets to complain but not actually block new borrowing is the best path forward.

Non-responsive

From: Anderson, Matthew
Sent: Thursday, December 06, 2012 18:15
To: _DL_FYI
Subject: Mother Jones: Four Theories That Would Allow President Obama to Ignore the Debt Ceiling

Mother Jones: Four Theories That Would Allow President Obama to Ignore the Debt Ceiling

By ***Kevin Drum***

| Thu Dec. 6, 2012 3:01 PM PST

What happens after we get a deal on the fiscal cliff? If Republicans are to be believed, we'll just sail right into a second crisis, this time over raising the debt ceiling. They're insisting that, once again, they'll refuse to raise the ceiling unless President Obama agrees to massive spending cuts.

We'll see. But it's worth pondering what Obama's options are for simply ignoring the debt ceiling and continuing to spend money regardless of whether Republicans agree to raise it. Several theories have been floating around since the first debt ceiling crisis last year. Here they are:

The 14th Amendment. Under this theory, the president would simply invoke the 14th Amendment, which says, "The validity of the public debt of the United States, authorized by law [...] shall not be questioned." Bill Clinton thinks this would work, but it strikes me as unlikely. Even if the debt ceiling isn't raised, the public debt is still valid and the Treasury can continue to pay it. Lots of other spending would have to be cut, but not debt payments.

The platinum coin. There's an obscure statute that authorizes the Treasury to mint platinum coins "in accordance with such specifications, designs, varieties, quantities, denominations, and inscriptions as the Secretary, in the Secretary's discretion, may prescribe from time to time." Jack Balkin suggests that the Secretary of the Treasury could simply mint a $1 trillion platinum coin, deposit it at the Federal Reserve, and then write checks on it. I don't buy this one either. It's just too outré. It's the kind of thing that sounds cute to a blogger tapping away on his laptop, but there's no way an actual president would ever try anything so obviously childish.

Priority of legislation. In general, recent legislation overrides older legislation when there's a conflict. The president could argue that the last debt ceiling increase was passed in August 2011,

and that any spending legislation passed since then implies Congress's consent to raise the debt ceiling. They knew we were running a deficit when they approved the spending, after all. Obama would just have to make sure to fund mandatory programs first (Social Security, Medicare, etc.), since they were authorized decades ago, and then issue new debt only to fund discretionary spending.

You and whose army? This is the most important argument of all. Regardless of the legal justification, the real question is whether a court would interfere. Many people think the filibuster is unconstitutional, for example, but everyone agrees that it doesn't matter because no court will ever touch the subject. It's an internal matter for Congress to decide. This is similar: the debt ceiling is a political argument between two branches of government, not a legal one. Jonathan Zasloff adds a little meat to this argument, suggesting that there's literally no one with proper standing to sue in the first place.

During the last debt ceiling fight, Obama never suggested he'd resort to unilateral action like this. Partly that's because he genuinely wanted to make a "grand bargain" on spending, and the debt ceiling fight was pretty good political cover for that. This time he doesn't, so he might be more likely to try it. However, one interesting question about this is whether he's ever asked the Office of Legal Counsel for an opinion about any of these theories. If he has, and it was negative, that would probably restrain him. If he hasn't, he'd probably need to in order to maintain his credibility on the issue. That's a risk, of course, since there's no telling what OLC's lawyers would come up with. There's a political risk too: congressional Republicans could go ballistic and become even more obstreperous than they are now. Fun times.

Non-responsive

From: Anderson, Charles
Sent: Thursday, December 06, 2012 17:37
To: _DL_FYI
Subject: Slate (Yglesias): How To Survive The Debt Ceiling

How To Survive The Debt Ceiling

By Matthew Yglesias

Posted Thursday, Dec. 6, 2012, at 4:15 PM ET

The president is attempting to draw a line in the sand over the debt ceiling, saying he won't negotiate over it under any circumstances. I think that's the right call. Once it becomes a bargaining chip it becomes a dangerous weapon. Obama needs to re-routinize the lifting of the debt ceiling by refusing to compromise and scoring a total victory. Greg Sargent reports that the Business Roundtable will be siding with Obama over this, which helps bolster his position somewhat. But Josh Marshall warns that holding firm "may be easier said than done."

I think it's actually pretty easy. People are a bit confused by the 2011 debt ceiling precedent because in that case Obama *wanted* Republicans to "force" him to make concessions. For a mix of substantive and political reasons, the White House wanted to obtain a grand bargain on long-term fiscal policy and thought the debt ceiling could be a good forcing mechanism that would make Republicans agree to raise taxes and then in exchange he and other moderate Democrats would have the political cover to trim Medicare and/or Social Security. Then it all blew up in their faces.

But resetting into a no concessions mindset, the White House has a lot of tools. Not only can he argue that the 14th Amendment obviates the debt ceiling (which I would if I were him) or have the Mint create a couple $1 trillion platinum coins (which is weird, but on a sounder legal basis) he can use his control over the executive branch to make the lapse of borrowing authority as painful to Republicans as possible. The key point is that even without the authority to borrow money, the federal government still has a lot of tax revenue coming in. You use that money to make sure bond holders get paid in full and there's no default. You use that money to make sure Social Security checks keep paying out. You keep paying federal workers' wages. But contractors, state governments, and health care providers just get IOU notes signed from the president telling them to keep doing their jobs and promising full payment—as required by law—as soon as congress relents. And you *say in advance* that this is the plan. Congress can either surrender right away and spare Medicare providers and defense contractors some inconvenience, or else

they can hold out for a week or two until every hospital administrator in America is banging on every congressman's office demanding surrender.

The key point is that the funds for everything have already been appropriated. It's the law of the land that those bills will be paid. Congressional inaction can't repeal Medicare or change the fact that guys with standing contracts to deliver bullets to the Pentagon are entitled to money in exchange for their munitions. All congress is doing here is creating a mechanical roadblock to the transfer of funds from the party legally obligated to pay to the parties legally entitled to be paid. You send them IOUs, tell them to keep doing their jobs, and tell them that if they want money they should ask congress.

Republican members are sensitive to the concerns of these folks who want—and are entitled to—their money, and everyone in the press knows that lifting the ceiling is the right thing to do. Obama made this hard last year as part of a failed tactical gambit, but if he wants to play hardball he has enormous advantages.

Non-responsive

From: Anderson, Matthew
Sent: Thursday, December 06, 2012 12:50
To: _DL_FYI
Subject: CNBC (Carney): The Trillion Dollar Coin Is Back

CNBC (Carney): The Trillion Dollar Coin Is Back

By John Carney

James Pethokoukis **points out** that an analyst in Guggenheim Securities' Washington Research Group has resurrected the idea of using a trillion-dollar coin the avoid the debt ceiling.

Here's what Chris Krueger of Guggenheim wrote in a note (which also details three other alternative policy options for dealing the debt ceiling):

> This is even more theoretical than the Constitutional Option, though some argue that it is a stronger legal option. There are limits on how much paper money the U.S. can circulate and rules that govern coinage on gold, silver, and copper. BUT, the Treasury has broad discretion on coins made from platinum. The theory goes that the U.S. Mint would create a handful of trillion dollar (or more) platinum coins. The President would then order the coins deposited at the Fed, who would then put the coin(s) in the Treasury who now can pay all their bills and a default is removed from the equation. The effects on the currency market and inflation are unclear, to say the least. You would also likely trigger a wave of lawsuits similar to the Constitutional Option and create two tranches of treasuries. Both this option and the Constitutional Option are VERY low probability options.

As **Joe Weisenthal points out**, this idea originated last July with **a commenter called "Beowulf" at Cullen Roche's Pragmatic Capitalism blog**. Beowulf pointed out that although there are statutory limits that prevent the Treasury from printing paper currency to fund its operations, there's a quirk in the law that allows the Treasury to print platinum coins of any denomination.

You can find it in subsection (k) of 31 USC 5112, which governs "Denominations, specifications, and design of coins."

> (k) The Secretary may mint and issue platinum bullion coins and proof platinum coins in accordance with such specifications, designs, varieties, quantities, denominations, and inscriptions as the Secretary, in the Secretary's discretion, may prescribe from time to time.

A few weeks later, the idea got a big boost **when Yale Law School's Jack Balkin endorsed it in a piece for CNN**. Pretty soon **everyone was talking about it**.

When I first encountered the idea **I jokingly speculated that a trillion coin would have to be enormous**. Of course, that's nonsensical because a coin's size is completely unrelated to its value. A dime, after all, is smaller than a nickel. Yet, for some reason, whenever I write about this concept, I still conjure up a mental image of a really big coin.

More seriously, last year I was also worried that the creation of a trillion coin would be "highly inflationary." (Others **also worried about inflation**.) This concern now seems to me to be seriously misplaced. There would really not be any additional inflationary pressures caused by a trillion coin

The key point here is that the government would not be throwing an extra trillion dollars into the economy. It would, rather, be spending exactly how much it planned to spend anyway. It would not be issuing bonds to cover some of that spending but bond issuance by the Treasury does not do very much (probably nothing at all) to combat inflation anyway. The amount of government issued financial assets remains the same, even though the composition of dollars and Treasury bonds changes.

There could a long-term inflationary problem, I suppose, if the government fell in love with the idea and used platinum coins to finance ever larger deficits. But that seems unlikely. And, in any case, the Fed could step in and use its monetary policy tools to counteract the spendthrift coiners.

Non-responsive

From: Anderson, Matthew
Sent: Friday, December 07, 2012 11:39
To: _DL_FYI
Subject: Slate (Yglesias): The Rooseveltian Precent For Exploiting The Platinum Coin Loophole

Slate (Yglesias): The Rooseveltian Precedent For Exploiting The Platinum Coin Loophole

By Matthew Yglesias

Posted Friday, Dec. 7, 2012, at 11:07 AM ET

Section (k) of 31 USC § 5112, "Denominations, specifications, and design of coins" plainly states that the Treasury Secretary can create arbitrary quantities of new legal tender as long as it's made out of platinum:

> (k) The Secretary may mint and issue platinum bullion coins and proof platinum coins in accordance with such specifications, designs, varieties, quantities, denominations, and inscriptions as the Secretary, in the Secretary's discretion, may prescribe from time to time.

Why did Congress draft a statute that doesn't specify what denominations the platinum coin may be? I have no idea. But it's a gaping loophole in the basic monetary framework of the United States, and pretty clearly allows Secretary Geithner to at least temporarily evade the debt ceiling by financing the government through seigniorage. The administration officials to whom I've raised this point generally respond by chuckling. Kevin Drum offers what amounts to an incredulous stare argument that this is undoable, "no way an actual president would ever try anything so obviously childish . . . so wildly contrary to the intent of the law . . . banana republic territory."

Maybe so. But such is the stuff of which great leaders are made. And there is precedent for it. In 1933, Franklin Roosevelt essentially broke the back of the Great Depression by taking the United States off the gold standard. As a matter of substantive policy that was*much* more radical than evading the debt ceiling. And as a procedural matter it was tricky. Did Roosevelt have the authority to do that?
Sort of! He issued Executive Order 6102 under the terms of the World War I Trading With the Enemy Act. Is that what congress intended? Clearly not. FDR's Depression-era gold policy had nothing whatsoever to do with World War I or any other war. But it was on the books. And Roosevelt felt that it was the right thing to do and that the job of his lawyers was to find a way for him to do the things that he thought he needed to do. Note that for better or for worse when it comes to counterterrorism policy, this is precisely the Obama administration's attitude. FDR said explicitly that he wanted to wage war on the Depression as vigorously as he would wage an actual war. And it worked. I don't think it would be a good idea for the

government to be routinely financed by coin gimmicks, but it's a much better option than the alternative of default or endless debt ceiling crises. Putting the platinum coin on the table is a good way of clarifying that whatever House Republicans say or do, default is not an option and no concessions will be made so they ought to save face and embrace the McConnell Principle.

Non-responsive

From: Ma, Stephanie
Sent: Friday, December 07, 2012 09:24
To: _DL_FYI
Subject: American Banker's Morning Scan for Friday, December 7, 2012

Receiving Wide Coverage ...

Bonds, Bonds, Bonds: The *FT* and the *Journal* printed articles this morning that indicate the bond market is booming. According to the *FT*, "in order to lure conservative investors away" from the much maligned money market fund industry, fund management groups are launching (and pushing) "ultra-short" bond funds that will invest in short-term government and corporate paper. This type of investment vehicle, launched by six fund managers over the last few months and being eyed by several others, is worth considering because, as one manager told the paper, "it retains a lot of the features that give flexibility to money market funds, things like check-writing and no trading restrictions." But these investments may be short-term for a reason. According to the *Journal*'s article — which also nods to a spike in investor interest in bonds over the past few years — some fund managers (perhaps, not the same ones the *FT* talked to?) believe there are "hidden dangers lurking" in the market. "Bond math dictates that losses will be magnified when interest rates are low, and when bond maturities are long, as they are now," the paper notes.

Details on Deutsche Bank: Two *FT* articles highlight allegations made to the Securities and Exchange Commission that Deutsche Bank improperly valued a clutch of complex derivatives in order to avoid taking a government bailout during the financial crisis, and the accusations are worse than yesterday's report may have indicated. One article suggests BaFin, Deutsche's principal regulator, was aware of the valuations, which "could lead to tensions with the SEC." The other alleges Deutsche Bank may have terminated one of its whistleblowers a few days after he filed a complaint with the SEC. (The official reason allegedly cited at the time of termination was that the employee's role had been relocated to Berlin.) Deutsche Bank declined to comment on this specific charge. However, a Dealbook article reiterates the bank's claims that the complaints "had been investigated previously and found to be without merit" and points to a 2011 Reuters article that appears to address similar allegations.

Wall Street Journal

Germany's central bank has cut its growth forecast for the rest of 2012 and 2013. It also warns the country might be headed for a recession over the winter months.

Financial Times

Despite several probes and a stern warning from the U.K.'s Financial Services Authority, High Street banks are still pressuring staff to encourage "product sales that were not appropriate for customers." HSBC, Royal Bank of Scotland, Lloyd's Banking Group, Barclays and Santander are name-dropped in the article.

The Association of British Insurers, which represents the U.K.'s biggest investor groups, say banks may remain "uninvestable" as long as they are not allowed to charge more for loans and regulators take their time issuing new anticipated rules.

New York Times

Goldman Sach's partners are increasing their stake in the firm. According to a disclosure in a regulatory filing, "407 partners own 12.7% of the firm, up from 11.4% in late October."

Seems like you can always count on Dealbook for a fun Friday read (Recall it's round-up of Commodity Futures Trading Commission member Bart Chilton's poems about arcane financial matters.) This article looks at the local restaurateurs

frequently invited to set up shop in investment bank cafeterias. So, in other words, you now know what Goldman Sachs employees are eating.

Washington Post

What could solve the U.S. debt crisis? A pair of $1 trillion platinum coins, postulates this *Post* article. Per the author: "Under current law, the Treasury is technically allowed to mint as many coins made of platinum as it wants and can assign them whatever value it pleases." As such, the U.S. mint could make the coins, President Obama could have them deposited at the Federal Reserve, which can then move the money to the Treasury and, then, problem solved. "Treasury suddenly has an extra $2 trillion to pay off its obligations for the next two years," the author writes. "The ceiling is no longer an issue."

Non-responsive

From: Anderson, Matthew
Sent: Friday, December 07, 2012 09:13
To: _DL_FYI
Subject: WaPo: Could the 'platinum coin option' solve the U.S. debt crisis?

WaPo: Could the 'platinum coin option' solve the U.S. debt crisis?

By Brad Plumer

If President Obama wants to avoid an economic calamity next year, he could always show up at a news conference bearing two shiny platinum coins, each worth . . . $1 trillion.

Okay, that sounds utterly insane. But some economists and legal scholars have suggested that the "platinum coin option" is one way to defuse a crisis if Congress cannot or will not lift the debt ceiling soon. At least in theory.

The U.S. government is, after all, facing a real problem. The Treasury Department will hit its $16.4 trillion borrowing limit by February at the latest. Unless Congress reaches an agreement to lift the debt ceiling, the government will no longer be able to borrow enough money to pay all its bills.

Last year, Republicans in Congress resisted raising the debt ceiling until the last minute — and then only in exchange for spending cuts. Panic ensued. So what happens if there is another showdown this year?

Enter the platinum coins. Under current law, the Treasury is technically allowed to mint as many coins made of platinum as it wants and can assign them whatever value it pleases.

Under this scenario, the U.S. Mint would make a pair of trillion-dollar platinum coins. The president orders the coins to be deposited at the Federal Reserve. The Fed moves this money into Treasury's accounts. And just like that, Treasury suddenly has an extra $2 trillion to pay off its obligations for the next two years — without needing to issue new debt. The ceiling is no longer an issue.

"I like it," said Joseph Gagnon of the Peterson Institute for International Economics. "There's nothing that's obviously economically problematic about it."

In theory, this is much like having the central bank print money. But, Gagnon said, the U.S. government would simply be using the money to keep spending at existing levels, so it would not create any extra inflation. And if it did cause problems, the Fed could always counteract the effects by winding down some of its other programs to inject money into the economy.

Is the platinum coin option really legal? Apparently so.

It was raised during the 2011 debt-ceiling crisis by Jack Balkin, a law professor at Yale Law School. Under law, he noted, there's a limit to how much paper money the United States can circulate at any one time, and there are rules that limit how many gold, silver and copper coins the Treasury can mint.

But there's no such limit when it comes to platinum coins. It's right there in the U.S. legal code: "The Secretary may mint and issue platinum bullion coins and proof platinum coins in accordance with such specifications, designs, varieties, quantities, denominations, and inscriptions as the Secretary, in the Secretary's discretion, may prescribe from time to time."

Problem solved, right?

Well, maybe not. This strategy would not be risk-free. Congress could argue that the original law was intended to govern commemorative coins, not to finance the operations of the government. And, of course, the political blowback would probably be fierce.

Indeed, even Balkin now says said that he thinks the platinum-coin option is too risky. If Congress cannot or will not lift the debt ceiling, then most likely the Obama administration would have to start shutting down parts of the government so that it does not default on its debt. That, in theory, would prod Congress to act.

"All those other ideas [such as the platinum coin option] are very uncertain, and they could lead to complicated litigation," Balkin said. "A government shutdown is much more straightforward."

The platinum coin is only one of many out-of-the-box ideas that have been proposed to avoid a debt ceiling crisis. Some legal scholars have suggested that Obama could declare the debt ceiling unconstitutional under the 14th Amendment. Last year, Gagnon suggested that the Treasury Department could start selling off its gold reserves to pay its bills until Congress acted.

But the consensus seems to be that all of these options are wildly unlikely. A recent report by Chris Krueger, a policy analyst at Guggenheim Partners, suggested that such ideas as a 14th Amendment challenge or the platinum coins "are VERY low probability options."

But not impossible. And if, for whatever reason, Congress does not raise the debt ceiling as part of the "fiscal cliff" negotiations, then some of these wacky ideas may get more attention.

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From: Anderson, Matthew
Sent: Wednesday, January 09, 2013 7:22 PM
To: _DL_FYI
Subject: Business Insider: Today We Saw A Major Turning Point For The Movement To Mint A Trillion Dollar Platinum Coin

Business Insider: Today We Saw A Major Turning Point For The Movement To Mint A Trillion Dollar Platinum Coin

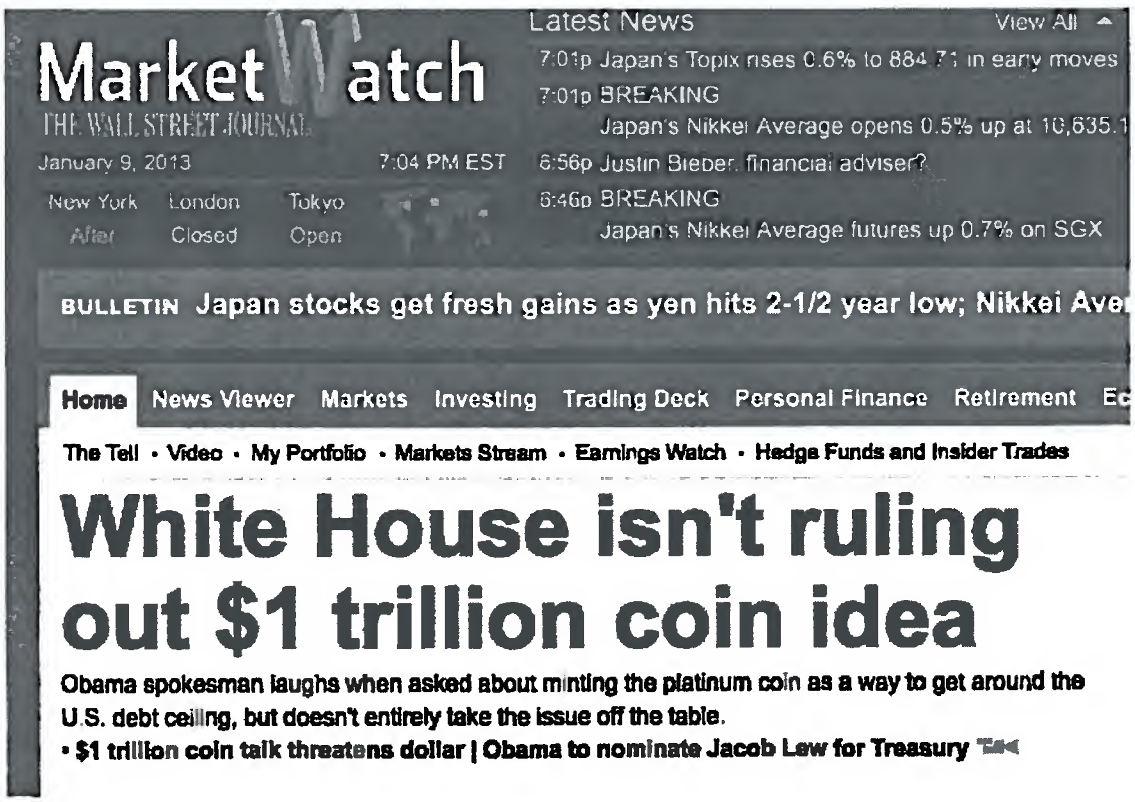
Joe Weisenthal 7 minutes ago

There's no question: Today was a major game-changer for the movement to circumvent the debt ceiling by minting a platinum coin, a strategy that would take advantage of an arcane area of the law relating to coinage.

Today White House press secretary Jay Carney was asked about whether The White House saw the coin as a viable option, and rather than shooting it down he just evaded the question.

The response from the media has been unanimous: Carney left the door open.

Here's the front of Marketwatch.com:



Here's HuffPo:

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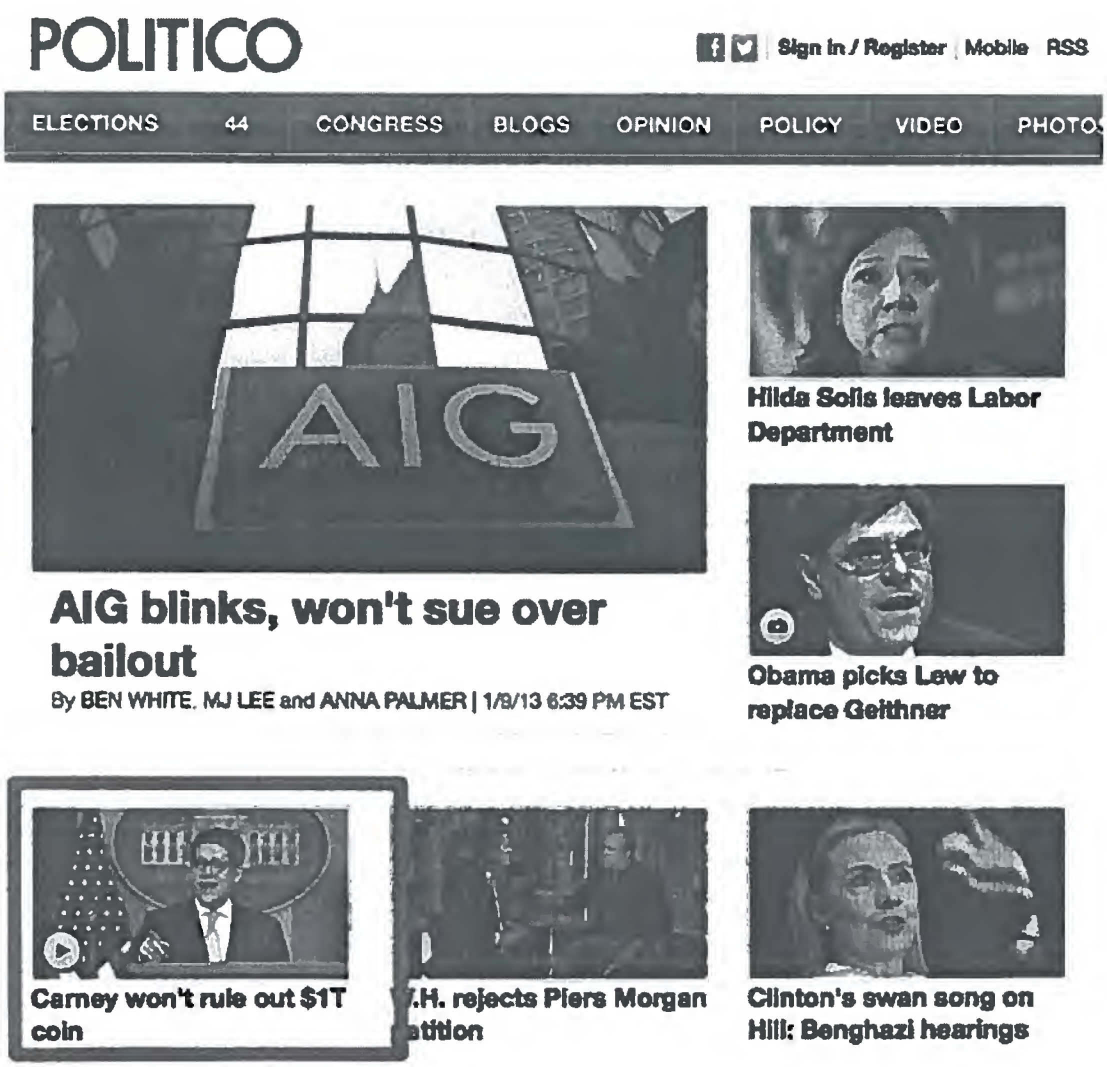
PLATINUM COIN LIVES

Here's POLITICO:



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ELECTIONS 44 CONGRESS BLOGS OPINION POLICY VIDEO PHOTO

AIG blinks, won't sue over bailout

By BEN WHITE, MJ LEE and ANNA PALMER | 1/9/13 6:39 PM EST

Hilda Solis leaves Labor Department

Obama picks Lew to replace Geithner

Carney won't rule out $1T coin

.H. rejects Piers Morgan tition

Clinton's swan song on Hill: Benghazi hearings

Brian Beutler at Talking Points Memo has the best take onw hat happened today:

Today's White House press briefing changes things.

If I had to, I'd still bet against the Obama administration minting a platinum coin to meet payment obligations, even if we breach the debt ceiling. But that's just a feeble attempt at mind reading. By contrast, the fact that Jay Carney neither foreclosed on the seigniorage option nor questioned its legality today is actually meaningful.

Remember, he and Obama (and Obama's lawyers) have explicitly rejected the argument that the 14th Amendment empowers the administration to ignore debt limit. They haven't left themselves any wiggle room on that idea.

Felix Salmon has a good post today on the game theory of #MintTheCoin (do you pre-announce that you might use it?).

Clearly it's become part of the conversation.

For more on today's historic press conferenc

Read more: http://www.businessinsider.com/mint-the-coin-today-we-saw-a-major-game-changer-for-the-movement-to-mint-a-platinum-coin-2013-1#ixzz2HWlGBLsU

Non-responsive

From: Anderson, Matthew
Sent: Wednesday, January 09, 2013 2:25 PM
To: _DL_FYI
Subject: The Hill: Poll: Americans wary of $1 trillion coin proposal

The Hill: Poll: Americans wary of $1 trillion coin proposal
By Justin Sink - 01/09/13 02:04 PM ET

A plurality of Americans are skeptical of a proposal to bypass the federal debt ceiling by minting a $1 trillion dollar platinum coin, according to a new poll.

According to the survey by YouGov and The Huffington Post, 38 percent of voters disapprove of such a proposal. Only 19 percent say they believe the president should authorize the minting of such a coin, while 43 percent say they are not sure about the plan.

A loophole in federal law — originally designed to allow for the manufacture of collectable coins — appears to give the Treasury Secretary unchecked ability to mint platinum coins of any denomination. Under the scheme, the Treasury could mint a $1 trillion coin, deposit it at the Federal Reserve and continue paying bills despite exceeding the debt ceiling, all without congressional approval.

The idea has been picking up steam, with the country expected to hit the borrowing limit in about a month. But most Americans are still unaware of the idea, according to the poll.

More than half, 55 percent, said they've heard nothing at all about it. Only 7 percent say they have heard a lot about the idea, while just over a quarter say they have heard a little about the platinum coin scenario.

The White House has thus far refused to comment on the proposal, saying simply they believe it is Congress's responsibility to raise the debt ceiling.

"The president expects that Congress will fulfill its essential responsibility to pay the bills that Congress has incurred," White House press secretary Jay Carney said Tuesday. "And remember, this is a responsibility that Congress assigned to itself in order to try to get Congress to spend less and be more focused on deficit reduction. ... Congress has the power that it assigned itself to raise the debt ceiling, and it should do so, because the alternative is obviously unacceptable."

But the YouGov poll finds that voters do not necessarily agree with the White House. Of those surveyed, 41 percent say Congress should not raise the debt ceiling, while 32 percent believe their representatives should. Yet those surveyed are also wary of default. Instead, voters favor cutting federal spending by 40 percent 6-to-1 over defaulting on debt payments.

Voters are also wary of the consequences of a default, with 57 percent saying doing so would have a major negative effect on the economy, and 15 percent saying it would have some negative effect. Eight percent believed doing so would have some sort of positive influence on the economy.

Read more: http://thehill.com/blogs/blog-briefing-room/news/276331-poll-americans-wary-of-trillion-dollar-coin-proposal#ixzz2HVYj1gKl

Non-responsive

From: Anderson, Matthew
Sent: Wednesday, January 09, 2013 11:42 AM
To: _DL_FYI
Subject: NYT (Krugman): Barbarous Relics

NYT (Krugman) Barbarous Relics

By Paul Krugman

I feel comfortable in my understanding of the economics of the platinum coin, but don't claim any legal expertise. However, Laurence Tribe knows whereof he speaks -- and he says that it's quite legal. And so there you have it: if we have a crisis over the debt ceiling, it will be only because the Treasury department would rather see economic devastation than look silly for a couple of minutes.

There will, of course, be howls from the usual suspects if that's how it goes. Some of these will be howls of frustration because their hostage-taking plan was frustrated. But some will reflect sincere horror over a policy turn that their cosmology says must be utterly disastrous.

Ed Kilgore says, in a somewhat different way, much the same thing I and people like Joe Weisenthal have been saying: what we're looking at here is a collision of worldviews, one might even say of epistemology.

For many people on the right, value is something handed down from on high It should be measured in terms of eternal standards, mainly gold; I have, for example, often seen people claiming that stocks are actually down, not up, over the past couple of generations because the Dow hasn't kept up with the gold price, never mind what it buys in terms of the goods and services people actually consume.

And given that the laws of value are basically divine, not human, any human meddling in the process is not just foolish but immoral. Printing money that isn't tied to gold is a kind of theft, not to mention blasphemy.

For people like me, on the other hand, the economy is a social system, created by and for people. Money is a social contrivance and convenience that makes this social system work better -- and should be adjusted, both in quantity and in characteristics, whenever there is compelling evidence that this would lead to better outcomes. It often makes sense to put constraints on our actions, e.g. by pegging to another currency or granting the central bank a high degree of independence, but these are things done for operational convenience or to improve policy credibility, not moral commitments -- and they are always up for reconsideration when circumstances change.

Now, the money morality types try to have it both ways; they want us to believe that monetary blasphemy will produce disastrous results in practical terms too. But events have proved them wrong.

And I do find myself thinking a lot about Keynes's description of the gold standard as a "barbarous relic"; it applies perfectly to this discussion. The money morality people are basically adopting a pre-Enlightenment attitude toward monetary and fiscal policy -- and why not? After all, they hate the Enlightenment on all fronts.

The bottom line is that we aren't really having a rational argument here. Nor can we: rationality has a well-known liberal bias.

Non-responsive

From: Robertson, William
Sent: Friday, January 11, 2013 5:32 PM
To: _DL_Communications; _DL_FYI
Subject: FT - Obama gets party go-ahead on debt limit

Obama gets party go-ahead on debt limit
By James Politi in Washington
Democratic leaders in the Senate gave President Barack Obama the green light to sidestep Congress and take executive action to avoid a default if no agreement is reached to raise America's borrowing limit.

"We believe you must be willing to take any lawful steps to ensure that America does not break its promises and trigger a global economic crisis – without congressional approval, if necessary," said Harry Reid, Dick Durbin, Chuck Schumer and Patty Murray, the party's top brass in the upper chamber, in a letter to the president on Friday.

The move could raise pressure on the White House to consider several creative escape hatches in the event that lawmakers fail to forge a compromise on lifting the country's debt ceiling by the end of next month. Among the solutions that have been floated are a presidential invocation of the 14th amendment of the constitution – which says the debt of the US "shall not be questioned" – in order to continue borrowing.

The White House could also simply decide the tax and spending laws take precedence over the debt ceiling constraints if they are in conflict, and keep spending money. Or the administration could consider a more outlandish plan to mint one or more platinum coins, to be deposited at the Federal Reserve, also circumventing Congress.

So far, the Obama administration has said there is no "back-up plan" when it comes to raising the US debt limit, demanding that Congress do its duty and increase the borrowing authority with no strings attached.

However, Republicans say deep spending cuts must be part of any deal to raise the debt ceiling, and scoffed at the proposal by Senate Democrats for the White House to ignore Congress on this matter if necessary.

"Senate Democrats cannot ignore their responsibilities for political convenience – and the American people will not tolerate an increase in the debt limit without spending cuts and reforms," said a spokesman for John Boehner, the Republican speaker of the House of Representatives.

The tension surrounding the debt limit marks the latest flare-up in America's seemingly unending budgetary battles. On January 1, after several rounds of negotiations, Congress struck a last-minute agreement to avoid much of the "fiscal cliff" – a mix of spending cuts and tax hikes due to hit the economy from this month. But many of the big fiscal policy questions were pushed to this year, with deadlines approaching soon.

This week Mr Obama appointed Jack Lew, his chief of staff and former budget director, to be Treasury secretary, in a sign of the high priority the president is giving to the looming fiscal battles. If confirmed, Mr Lew will replace Tim Geithner, who is due to leave later this month.

Non-responsive

From: Weil, Matthew
Sent: Friday, January 11, 2013 5:50 PM
To: _DL_FYI
Subject: Wonkblog: Senate Democrats to Obama: Ignore the debt ceiling!

Senate Democrats to Obama: Ignore the debt ceiling!

By Ezra Klein, January 11, 2013 at 4:45 pm

In a letter co-signed by Senate Majority Leader Harry Reid, majority whip Dick Durbin, vice chairman of the Democratic Caucus Chuck Schumer, and budget committee chairwoman Patty Murray, the four Democrats, presumably on behalf of their caucus, ask President Obama to ignore the debt ceiling when the time comes:

> It is hard to imagine that the Speaker and Leader McConnell would really follow through on their threat to let the nation default on its debts. They are responsible leaders who know better. Sadly, some of their Republican colleagues do not. There, we believe that you must make clear that you will never allow our nation's economy and reputation to be held hostage. In the event that Republicans make good on their threat by failing to act, or by moving unilaterally to pass a debt-limit extension only as part of unbalanced or unreasonable legislation, we believe you must be willing to take any lawful steps to ensure that America does not break its promises and trigger a global crisis — without congressional approval, if necessary.

The Senate Democrats don't specify a remedy here, so they could be talking about the platinum coin, the 14th Amendment, government scrip, or some other approach. But the bigger issue here is that final clause. They're saying, for the record, that the majority party of the U.S. Senate will not consider it an executive power grab if the president takes unusual action to avoid default.

You can read the full letter here: http://www.washingtonpost.com/blogs/wonkblog/wp/2013/01/11/senate-democrats-to-obama-ignore-the-debt-ceiling/?wprss=rss_ezra-klein

Non-responsive

From: Robertson, William
Sent: Friday, January 11, 2013 3:42 PM
To: _DL_Communications; _DL_FYI
Subject: FT-Opinion -Tim Harford - Why platinum is fool's gold

Why platinum is fool's gold
By Tim Harford
In the context of a small round coin, the stakes are surprisingly high, writes Tim Harford

What's all this I hear about a trillion-dollar platinum coin?

It's brilliant, isn't it? Here's the background. The US Congress has, over the years, voted tocollect less in taxes than it has decided to spend. In order to carry out Congress's instructions the US Treasury has to borrow extra money. The Treasury's power to do that is limited by a debt ceiling, and it's likely to run out of cash shortly after Valentine's day.

So who has the authority to raise the debt ceiling, and thus enable the Treasury to carry out Congress's instructions?

Oh, that's easy. Congress does.

Wait – so in February we'll find out whether Congress will allow the Treasury to obey Congress or not?

We will indeed.

I suppose this is how checks and balances work.

Checks and balances are one thing, but this is about the US government's right to punch itself repeatedly in the face. If Congress doesn't allow the Treasury to obey Congress then the US might even be forced to default on its debt obligations, which would be less of a punch in the face and more a baseball bat swung firmly into the groin of the world economy. I suspect that somehow the administration will find a way to stave off such a default, which would – unlike the inaptly-titled "fiscal cliff" – be a sudden and near-catastrophic event.

Unless there was . . . A TRILLION DOLLAR PLATINUM COIN!

Yes, unless that. Actually there are various ways in which the US Treasury might find an escape hatch through the debt ceiling, but coin seignorage is by far the most eye-catching. A law passed back in 1997 gives the US Treasury secretary the authority to mint platinum commemorative coins in any denomination. And coins aren't government bonds, so they don't count against the debt ceiling and the Treasury could simply pay for Congress's spending programmes with the trillion-dollar coin. Or less comically, a big pile of hundred million dollar coins.

I now have so many questions I don't know where to start. Like – where would the Treasury get a trillion dollars' worth of platinum?

It doesn't need to, any more than the Federal Reserve is obliged to put a hundred dollars' worth of paper and rag into every hundred dollar bill. A small coin with "One Trillion Dollars" stamped on it will do.

And the face of Dr Evil, little finger cocked to mouth, I suppose?

Tim Geithner, the Treasury secretary, can choose any design he wants but we can all see that Dr Evil would be the only reasonable choice.

A bit unwieldy, though?

The Treasury could deposit the coin with the Federal Reserve. The Federal Reserve would then credit a trillion dollars to the Treasury's bank account, and the Treasury would start spending the money in the traditional fashion.

Wouldn't that be catastrophically inflationary?

The Fed should ensure that it isn't. The value of notes and coins in circulation is $2.6tn, so an extra trillion would be a big deal. But currency in circulation can vary hugely without necessarily causing inflation – it depends what else is going on in the financial system. In this case, as the Treasury spent the trillion dollars, the Fed could sell a trillion dollars' worth of US government bonds, absorbing the extra currency.

So the overall effect would be an extra trillion dollars of bonds in private hands, exactly as though the Treasury had borrowed money in the first place?

Yes. The economics of this are surprisingly tame. It's the politics that are up for grabs, and there are really two questions here. The tactical issue is who would look stupider – Republicans in Congress for using the debt ceiling to prevent the Treasury carrying out Congress's instructions, or the Obama administration for responding to that threat by using a trillion-dollar coin. It's a variant on the old philosophical paradox: the infinitely ridiculous force meets the infinitely ludicrous obstacle.

Is there a real policy judgment to be made, too?

Yes. It's whether America's economic reputation would be more damaged by another debt- ceiling crisis, or by the executive seizing the authority to create new money. Very sensibly, the administration is trying to rise above the whole argument.

So there won't be a trillion- dollar coin?

I strongly doubt it. But then again, Tim Geithner is expected to step down soon. Someone should check his pockets on the way out.

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 4:49 PM
To: _DL_FYI
Subject: Reuters: Treasury says will not produce platinum coins to avert debt crisis

Reuters: Treasury says will not produce platinum coins to avert debt crisis
4:33pm EST

WASHINGTON (Reuters) - The Treasury Department said on Saturday it will not produce platinum coins as a way to avoid an increase in the U.S. debt ceiling.

The idea has gained some momentum among Democrats in recent days with Republicans threatening another debt ceiling showdown over spending cuts. The United States is expected to reach its debt limit in February.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," said Treasury spokesman Anthony Coley in a statement.

(Reporting By Steve Holland; editing by Doina Chiacu)

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 4:57 PM
To: _DL_FYI
Subject: Mother Jones: Sorry, Peeps: No Platinum Coin For You

Mother Jones: Sorry, Peeps: No Platinum Coin For You
—By Kevin Drum | Sat Jan. 12, 2013 1:21 PM PST

When it comes to the Most Important Political Topic Of Our Times™—namely the possible minting of a $1 trillion platinum coin—Ezra Klein advances the ball today. The idea behind this slow-news-week chimera is that the Treasury would mint the coin, deposit it at the Fed, and voila: the government has more money to spend even though we've hit the debt ceiling. So far we've all argued about whether this is a good idea; whether it's legal; and whether President Obama would ever consider this option in the first place[1]. But there's always been another question rolling around in my head: would the Fed even accept the coin? If they won't, the whole idea runs aground instantly.

Well, it turns out they wouldn't: "Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," a Treasury spokesman told Ezra today.

So there you have it. Can we now please stop talking about this and find something else to chatter about next week?

[1]Answer: No, he wouldn't. I mean, seriously, folks. This is Barack Obama we're talking about here. Can you even imagine him buying into nutbaggery like this?

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:00 PM
To: _DL_FYI
Subject: The Hill: Treasury Dept. rules out trillion-dollar coin

The Hill: Treasury Dept. rules out trillion-dollar coin
By Brendan Sasso

The Treasury Department said on Saturday that it will not mint a trillion-dollar platinum coin to side-step the debt ceiling.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit." Treasury spokesman Anthony Coley said in an email.

Read more: http://thehill.com/blogs/on-the-money/domestic-taxes/276833-treasury-department-rules-out-trillion-dollar-coin#ixzz2HnjBOp6G

Some economists and writers have been pushing the Obama administration to mint a trillion-dollar coin if Republicans refuse to raise the debt ceiling.

Congress needs to approve most new borrowing, but an obscure provision in a 1997 law allows the Treasury Secretary to mint platinum coins of any value.

The law was intended to allow for collectible coins, but some argued the president should use the power to prevent the government from defaulting on its debt.
Paul Krugman, a Princeton economist and columnist for The New York Times, acknowledged that the coin proposal was "silly," but he said failing to raise the debt limit would be "equally silly but both vile and disastrous."

Read more: http://thehill.com/blogs/on-the-money/domestic-taxes/276833-treasury-department-rules-out-trillion-dollar-coin#ixzz2Hnj6jUz6

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:03 PM
To: _DL_FYI
Subject: Bloomberg: Treasury, Fed Oppose Using Platinum Coin to Avoid Debt Limit

Bloomberg: Treasury, Fed Oppose Using Platinum Coin to Avoid Debt Limit
By Ian Katz - Jan 12, 2013

The U.S. Treasury Department and Federal Reserve oppose the idea of minting platinum coins as a way to avoid the U.S. debt ceiling, according to a statement from Treasury spokesman Anthony Coley.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," Coley said in an e-mail.

Amid Republican opposition to raising the debt ceiling without spending cuts, some Democrats including House Democratic leader Nancy Pelosi have proposed invoking the Constitution's 14th amendment and minting a platinum coin with a face value of $1 trillion to pay government bills.

The U.S. reached the statutory borrowing limit Dec. 31 and the Treasury Department is using what it calls "extraordinary" measures to finance the government. The Congressional Budget Office estimates those steps will be exhausted by mid-February.

"There are only two options to deal with the debt limit: Congress can pay its bills or it can fail to act and put the nation into default," according to a statement today from the White House.

"When Congressional Republicans played politics with this issue last time, putting us at the edge of default, it was a blow to our economic recovery, causing our nation's credit rating to be downgraded," the e-mailed White House statement says. "The President and the American people won't tolerate Congressional Republicans holding the American economy hostage again simply so they can force disastrous cuts to Medicare and other programs the middle class depend on while protecting the wealthy. Congress needs to do its job."

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To contact the editor responsible for this story: Ann Hughey at ahughey@bloomberg.net

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:04 PM
To: _DL_FYI
Subject: Fox News: Treasury Department shoots down platinum coin idea as debt ceiling solution

Fox News: Treasury Department shoots down platinum coin idea as debt ceiling solution
Published January 12, 2013

Read more: http://www.foxnews.com/politics/2013/01/12/treasury-department-shoots-down-platinum-coin-idea-as-debt-ceiling-solution/#ixzz2HnkJU0Nc

The Treasury Department appeared to put an end Saturday to speculation that it would mint a trillion-dollar platinum coin as a way to avoid the debt ceiling.
An agency spokesmen said the Federal Reserve would not accept the coin even if the Treasury minted one.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," spokesman Anthony Coley said.

Though the idea seemed far fetched when it recently resurfaced, the Obama administration appeared to add speculation by not dismissing the idea outright.

On Wednesday, White House Press Secretary Jay Carney said there was no "Plan B" on the debt ceiling but didn't totally rule out the platinum coin.
The idea of minting such a coin to invalidate the debt ceiling purportedly comes from part of the 1997 Omnibus Consolidated Appropriations Act.
They were written by then-Delaware Republican Rep. Mike Castle, a Republican congressman from Delaware, who purportedly is a coin collector.

Read more: http://www.foxnews.com/politics/2013/01/12/treasury-department-shoots-down-platinum-coin-idea-as-debt-ceiling-solution/#ixzz2HnkFqjYF

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:30 PM
To: _DL_FYI
Subject: WSJ: Treasury Won't Mint Platinum Coin to Avoid Debt Ceiling

WSJ: Treasury Won't Mint Platinum Coin to Avoid Debt Ceiling
By ERIC MORATH and DAVID WESSEL

The U.S. Treasury and Federal Reserve said they won't pursue a plan to mint a trillion dollar coin as a device to avoid the debt ceiling.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," said Treasury spokesman Anthony Coley.

Federal law gives the Treasury the authority to mint platinum coins, a law that envisioned commemorative coins. With the Treasury bumping up against the $16.4 trillion debt ceiling, there's been speculation that the administration might mint a $1-trillion coin, deposit it at the Fed and then draw $1 trillion to pay bills in the event that Congress doesn't raise the borrowing limit. The Treasury statement closes that door. The White House also has rejected another escape clause: invoking the Fourteenth Amendment to the Constitution and borrowing more even if Congress hasn't acted.

The White House has said there is no alternative to legislation to lift the debt ceiling. But Senate Majority Leader Harry Reid and three senior colleagues, in a letter to President Barack Obama released earlier this week, said, "In the event that Republicans make good on their threat by failing to act, or by moving unilaterally to pass a debt limit extension only as part of an unbalanced or unreasonable legislation, we believe you must be willing to take any lawful steps to ensure that America does not break its promises and trigger a global economic crisis, without congressional approval, if necessary," the letter states.

Treasury currently is taking what it calls "extraordinary measures" to conserve cash so that it can keep paying bills without doing additional borrowing. The Bipartisan Policy Center's number crunchers say the Treasury will run out of maneuvering room between February 15 and March 1.

Write to Eric Morath at eric.morath@dowjones.com and David Wessel at capital@wsj.com

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:32 PM
To: _DL_FYI
Subject: TPM: U.S. Treasury: $1 Trillion Platinum Coin Is Not An Option

In a blow to the movement's supporters, the U.S. Treasury announced Saturday that it would not mint a $1 trillion platinum coin in order to ensure the nation's creditworthiness should Congress fail to raise the debt ceiling.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," said Treasury spokesman Anthony Coley in a statement obtained by TPM.

The White House has also previously ruled out invoking the 14th Amendment to bypass Congress and raise the debt ceiling unilaterally.

"There is no backup plan," said White House Press Secretary Jay Carney earlier this week. "The only option is for Congress to do its job."

Talking Points Memo: U.S. Treasury: $1 Trillion Platinum Coin Is Not An Option

IGOR BOBIC 3:55 PM EST, SATURDAY JANUARY 12, 2013

Despite that, top Senate Democrats have publicly pressured the administration to use all available legal means in the case that Congressional Republicans force the country to default on its obligations.

"In the event that Republicans make good on their threat by failing to act, or by moving unilaterally to pass a debt limit extension as part of an unbalanced or unreasonable legislation, we believe you must be willing to take any lawful steps to ensure that America does not break its promise and trigger a global economic crisis — without Congressional approval, if necessary," they wrote in a letter on Friday.

The Treasury announcement was first reported by Ezra Klein of the Washington Post.

UPDATE: White House Press Secretary Jay Carney issued an additional statement strongly denouncing brinksmanship over the debt limit:

There are only two options to deal with the debt limit: Congress can pay its bills or it can fail to act and put the nation into default. When Congressional Republicans played politics with this issue last time, putting us at the edge of default, it was a blow to our economic recovery, causing our nation's credit rating to be downgraded. The President and the American people won't tolerate Congressional Republicans holding the American economy hostage again simply so they can force disastrous cuts to Medicare and other programs the middle class depend on while protecting the wealthy. Congress needs to do its job.

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:38 PM
To: _DL_FYI
Subject: TPM: No Platinum Coin (Told You So)

Talking Points Memo: No Platinum Coin (Told You So)

JOSH MARSHALL JANUARY 12, 2013, 4:02 PM 815
Some people thought the White House was suggesting they might ... might be willing to pursue the Platinum Coin option to resolve a debt default crisis. I didn't think so. And I think I was right. Today the Treasury released a statement saying that the Treasury and thus the administration and thus President Obama do not believe that the relevant statute "can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit."

As a narrowly legal matter, it's not clear to me this is true. Whatever the wisdom of it, the statute really does seem to allow this. But I'm not a lawyer. So I'll leave that to others.

But two points about the coin concept.

First, I simply don't think this kind of high-wire act is in Obama's nature. That's why I don't think this was ever a likely course for the White House.

Second, there are big political and politico-economic problems with the Coin idea.

One of the big problems with the debt-ceiling drama is that the vast majority of people don't understand what's being discussed. You hear relatively serious people on the news acting as though it's Obama asking to spend more money or even unlimited money. So you have misunderstandings about what it means, compounded by tendentious misrepresentations and then simple inattention. But, as we're already seeing on the standard misinformation sites, the second you start talking about the President minting a special trillion dollar quarter, people pop up and say, What the F#*% are you talking about?

In other words, the Platinum coin has the additional magic of making it look like the President is the one doing something reckless and totally crazy rather than Congressional Republicans who are the ones really doing it.

That's a problem.

Next step: Congressional Republicans force the country into national default and at the last minute the President rescues the country with a Platinum coin. Okay, where are we on day two? The Republicans realize they're outfoxed and immediately pass a debt limit hike? Really? That doesn't make sense to me at all.

If anything, it's removed all the political consequences of their recklessness and puts them on the search for some new point of leverage. But the big point is now we're out into the wilds of Platinum Coin financing with no clear road back to actual real world financing of the national debt.

Again, that's a problem.

What makes this a genuine national crisis is that there's no good way of dealing with this — that's why it's bad to have people at war with the state at the center of government. So I totally get the Platinum Coin attraction. But I think what it actually does — or, would do — is allow Republicans to pull their latest destructive stunt without the consequences. It

lets them off the hook in the grandest way and protracts, extends and deepens the country's sojourn into a legal, constitutional and financial no man's land.

I think this is what the White House means by not negotiating. No way out. The President is saying "we're not going to play that game anymore." We're not going to engage or be co-opted by your attacks on the country.

The problem is you're dealing with people who simply may not flinch. Who may happily break what generations of Americans have spend centuries — literally centuries — building.

This is where I'm glad I'm not President. Because I don't know what I would do if and when the Republicans really ... like really force the first default in over 230 years of American history. But he's drawing that line. The Platinum Coin just muddies it.

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 5:46 PM
To: _DL_FYI
Subject: CBS New (Blog): Treasury: No $1 trillion coin quick fix on debt limit

CBS New (Blog): Treasury: No $1 trillion coin quick fix on debt limit

By JAKE MILLER / CBS NEWS/ January 12, 2013, 5:22 PM

A Treasury Department spokesman announced today that the department will not mint a platinum coin to sidestep raising the federal government's borrowing limit, telling the Washington Post that "neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit."

The idea, which had gained traction among some congressional Democrats and political analysts as a way of defanging the debt ceiling as a bargaining chip, was that the Treasury Department could simply mint a platinum coin, declare the value at $1 trillion, and deposit it into the Federal Reserve to allow continued spending in the absence of a vote to raise the debt ceiling.

With the idea now buried by Treasury, the stage is set for a full-on fight about the debt ceiling. President Obama and congressional Democrats have signaled that they simply will not negotiate on a vote to raise the borrowing limit, saying that it is Congress's duty to pay bills it has already accrued.

But congressional Republicans have given every indication that they plan to use the debt limit as a bargaining chip to extract deep spending cuts from reluctant Democrats.

Non-responsive

From:	Anderson, Matthew
Sent:	Friday, January 11, 2013 3:03 PM
To:	_DL_FYI
Subject:	WaPo: Top Senate Dems to White House: If you unilaterally raise debt ceiling, you've got our back

WaPo: Top Senate Dems to White House: If you unilaterally raise debt ceiling, you've got our back

By Greg Sargent , Updated: January 11, 2013

In a move that will significantly ratchet up the brinksmanship around the debt ceiling, the four members of the Senate Democratic leadership are privately telling the White House that they will give Obama full support if he opts for a unilateral solution to the debt ceiling crisis, a senior Senate Democratic leadership aide tells me.

The four Democratic leaders — Senators Harry Reid, Chuck Schumer, Dick Durbin and Patty Murray — have privately reached agreement that continued GOP intransigence on the debt ceiling means the White House needs the space to pursue options for raising it that don't involve Congress, and that the White House needs to know that Dems will support whatever it decides to do.

In a letter to the White House signed by the four leaders that will soon be made public — and was sent over by a source — the Democrats say:

"In the event that Republicans make good on their threat by failing to act, or by moving unilaterally to pass a debt limit extension as part of an unbalanced or unreasonable legislation, we believe you must be willing to take any lawful steps to ensure that America does not break its promise and trigger a global economic crisis — without Congressional approval, if necessary."

That's key, because it means top Dems will support a unilateral executive resolution to the crisis even in response to a legislative solution passed by House Republicans that they deem unacceptable — such as a bill that contains a debt ceiling hike and only spending cuts.

The top Democrats have not settled on any preference for any particular unilateral action Obama might take. They are making a "balance of power" argument to the White House, indicating that they are fully supportive of the idea that the executive branch has the power to resolve the situation as it sees fit.

Obama's two leading choices are the 14th amendment option, under which the president claims the power to ignore the debt ceiling, and the "platinum coin" option, under which Treasury mints one and deposits in the Federal Reserve, enabling the country to continue paying its debts.

The Huffington Post's Ryan Grim recently reported that Harry Reid, in particular, has privately raised the 14th amendment option with the president, and that Reid has not ruled out support for any other unilateral options.
Now the entire Senate Democratic leadership is uniting behind an even sharper message to the White House, the aide tells me. "If the White House concludes any given option is lawful, the Democratic leadership would support it," the aide says.

The White House has said it doesn't believe the 14th amendment option is legal, and has refused to engage on the question of whether it sees the coin as a viable option, saying only that there is "no Plan B" and that the onus is on Congress to raise the debt limit.

The aide tells me, however, that top Senate Democrats see the 14th amendment option as far preferable politically to the coin. "Of the available options, the coin, on its face, is politically much worse than the others," he said. "Whatever the legal arguments for and against it, the imagery will be difficult to combat. What better symbol of out-of-control government spending could you have than a trillion dollar coin?"

In a general sense, the decision by top Dems to signal unified support for a unilateral option, should the White House opt for one, is all about maintaining leverage. The idea is to counter the continued GOP claim that new revenues are off the table by signaling clearly that Dems are prepared to activate a fallback option — meaning that in the end, Republicans are not in control of the battle's outcome.

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Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 4:16 PM
To: _DL_FYI
Subject: Business Insider: COINTASTROPHE: White House Rules Out The Trillion Dollar Coin Option To Break The Debt Ceiling

Business Insider: COINTASTROPHE: White House Rules Out The Trillion Dollar Coin Option To Break The Debt Ceiling
Joe Weisenthal

Stunning news from WaPo's Ezra Klein: The Treasury is ruling out the use of a trillion dollar platinum coin to break the debt ceiling impasse.
Klein writes:

That's the bottom line of the statement that Anthony Coley, a spokesman for the Treasury Department, gave me today. "Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," he said.

With this, the White House has now ruled out the two best options for preventing a default in the event that the House GOP refused to life the debt ceiling. The White House has been quite adamant that the other alternative (invoking the 14th Amendment) is not acceptable.

So now the stakes are high, as The White House has refused to negotiate with the GOP on a debt ceiling hike.

What bargaining chips does The White House hold? Unclear.

Klein adds another incredibly salient point about the comment he receives:

The inclusion of the Federal Reserve is significant. For the platinum coin idea to work, the Federal Reserve would have to treat it as a legal way for the Treasury Department to create currency. If they don't believe it's legal and would not credit the Treasury Department's deposit, the platinum coin would be worthless.

The good news?

The whole #MintTheCoin discussion has been very helpful for teaching people economics, as was evident today on Up With Chris Hayes.

UPDATE:
Via Email, coin supporter Paul Krugman gives his take: "So, are they planning moral obligation coupons / scrip, are they willing to court disaster, or are they just hopeless negotiators? I guess we'll find out."

Read more: http://www.businessinsider.com/treasury-rules-out-trillion-dollar-platinum-coin-2013-1#ixzz2HnY3NXwx

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 4:24 PM
To: _DL_FYI
Subject: Politico: Treasury says no to trillion-dollar coin: report

Politico: Treasury says no to trillion-dollar coin: report
By: Elizabeth Titus
January 12, 2013 04:11 PM EST

The Treasury Department has ruled out the idea for the U.S. to mint a trillion-dollar platinum coin to avoid a debt-ceiling crisis, it was reported Saturday.

"Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," Anthony Coley, a spokesman for the Treasury Department, told The Washington Post's Ezra Klein.

The idea to mint the coin picked up steam, mostly online and in Washington circles, in recent weeks, replete with its own Twitter hashtag.

It also gained the support recently of Rep. Jerry Nadler (D-N.Y). A petition on the White House website to mint the coin garnered several thousand signatures. And New York Times columnist and economist Paul Krugman endorsed consideration of the coin.

Rep. Greg Walden (R-Ore.) introduced legislation to ban the minting of such a coin.

"This scheme to mint trillion dollar platinum coins is absurd and dangerous, and would be laughable if the proponents weren't so serious about it as a solution," Walden said in a statement Jan. 7.

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 4:27 PM
To: _DL_FYI
Subject: AEI (Blog): White House and Fed kill the trillion-dollar platinum coin. But more goofy ideas await to evade debt ceiling

American Enterprise Institute (Blog): White House and Fed kill the trillion-dollar platinum coin. But more goofy ideas await to evade debt ceiling
James Pethokoukis | January 12, 2013, 4:23 pm

Tim Geithner and Ben Bernanke have put the kibosh on the whimsical/embarrassing idea of having the Treasury Department mint a trillion-dollar platinum coin to get around the debt ceiling. And even if Treasury did, it looks like the Federal Reserve wouldn't accept it. This from opinion columnist Ezra Klein at The Washington Post:

That's the bottom line of the statement that Anthony Coley, a spokesman for the Treasury Department, gave me today. "Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," he said.

As Klein adds, the Obama White House has already ruled out a possible end run on the debt ceiling. Back in December, Press Secretary Jay Carney said, "This administration does not believe the 14th Amendment gives the president the power to ignore the debt ceiling — period."

The sudden end of the Mint the Coin movement isn't really surprising. Financial absurdities aside, it would have been a political loser for Team Obama, making the president look desperate for any option to avoid cutting spending in return to a debt limit hike. It would have been Obama, not House Republicans, seeming unreasonable as the debt ceiling approaches.

Unfortunately there are still plenty of goofy ideas on the table, such as issuing Monopoly money in lieu of actual new greenbacks. As law professor Edward Kleinbard wrote in The New York Times earlier in the week:

[President Obama] should threaten to issue scrip — "registered warrants" — to existing claims holders (other than those who own actual government debt) in lieu of money. Recipients of these I.O.U.'s could include federal employees, defense contractors, Medicare service providers, Social Security recipients and others.As He should threaten to issue scrip — "registered warrants" — to existing claims holders (other than those who own actual government debt) in lieu of money. Recipients of these I.O.U.'s could include federal employees, defense contractors, Medicare service providers, Social Security recipients and others.

But that's not all. Economist Stephen Williamson has cooked up another couple of options for Team Obama:

1) The off-balance-sheet option: Fannie Mae became a private institution, and Freddie Mac was established, as part of a Johnson administration move to take the mortgage market activities of Fannie Mae off the federal government's balance sheet. Suppose that Fannie Mae were to issue agency securities and use the proceeds to pay salaries at the Pentagon, or Pentagon employees were to temporarily become employees of Fannie Mae. Currently under government "conservatorship" Fannie Mae has to do what the federal government tells it to do, but its agency securities are not part of the government debt for accounting purposes.

2) The playing-card or clearinghouse certificate option: Federal government departments could issue their employees certificates promising payment in the future, in lieu of salary. I'm not sure what makes a government debt obligation fall under the debt-ceiling limit, but the idea would be to design the IOUs so that they don't meet those criteria. Like the

playing cards and clearinghouse certificates mentioned above, there's nothing to stop people accepting these IOUs in exchange.

Better to just raise the debt ceiling and come to an agreement on at least some entitlement. reform.

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 3:35 PM
To: _DL_FYI
Subject: WaPo (Ezra Klein): Treasury: We won't mint a platinum coin to sidestep the debt ceiling

WaPo: Treasury: We won't mint a platinum coin to sidestep the debt ceiling
By Ezra Klein , Updated: January 12, 2013

The Treasury Department will not mint a trillion-dollar platinum coin to get around the debt ceiling. If they did, the Federal Reserve would not accept it.

That's the bottom line of the statement that Anthony Coley, a spokesman for the Treasury Department, gave me today. "Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," he said.

The inclusion of the Federal Reserve is significant. For the platinum coin idea to work, the Federal Reserve would have to treat it as a legal way for the Treasury Department to create currency. If they don't believe it's legal and would not credit the Treasury Department's deposit, the platinum coin would be worthless.

The idea of minting a platinum coin to invalidate the debt ceiling comes from a few key sentences tacked onto the 1997 Omnibus Consolidated Appropriations Act. "Notwithstanding any other provision of law," it reads, "the Secretary of the Treasury may mint and issue platinum coins in such quantity and of such variety as the Secretary determines to be appropriate."

The author of those sentences was Mike Castle, a Republican congressman from Delaware. The intent was to help coin collectors who wanted the Treasury Department to mint cheaper platinum coins. "People couldn't afford the $600 investment, so they wanted the flexibility to put in smaller coinage so that people could collect them," Castle told Wonkblog this month. But in giving the Treasury Department the flexibility to mint platinum coins of little value, Castle accidentally gave them the flexibility to mint platinum coins of unlimited value. "That was never the intent of anything that I drafted or that anyone who worked with me drafted," Castle continued.

The idea of minting a trillion-dollar platinum coin was first floated in May 2010, in the comment section of "The Center of the Universe," a blog devoted to Modern Monetary Theory. The author was a lawyer writing under the pseudonym Beowulf. "Curiously enough Congress has already delegated to [Treasury] all the seignorage power authority it needs to mint a $1 trillion coin (even numismatic coins are legal tender at their face value and must be accepted by the Federal Reserve) — the catch is, it's gotta be made of platinum."

The platinum coin idea gained some powerful adherents during the debt-ceiling crisis of 2011, but it really developed traction following the 2012 fiscal cliff deal, as politicians and economics writers realized that the country would, indeed, be facing another debt-ceiling crisis in a matter of months. A Twitter campaign by Joe Weisenthal, of Business Insider, and Josh Barro, of Bloomberg View, forced it into the conversation, and subsequent endorsements by Rep. Jerry Nadler (D-NY), Nobel Prize-winning economist Paul Krugman and former U.S. Mint director Philip Diehl gave it further legitimacy.

But others, including myself, worried that the coin would be seen as an unprecedented power grab by the president, leading to a far more bitter standoff over the debt ceiling, a possible panic in the financial markets and a showdown in the courts. There was also the simple fact that it would, indeed, represent an admission that the government's executive and legislative branches could no longer be trusted to come together and effectively manage the country's finances.

Nevertheless, many top Democrats believed that the White House needed some kind of fallback option. Former president Bill Clinton said that if he were in office, he would invoke the 14th Amendment to call the debt ceiling unconstitutional "without hesitation, and force the courts to stop me."

On Friday, Senate Majority Leader Harry Reid and his leadership team sent President Obama a letter urging him to "to take any lawful steps to ensure that America does not break its promises and trigger a global crisis — without congressional approval, if necessary."

In response, Senate Minority Leader Mitch McConnell released a statement saying that to avoid the debt ceiling, "Democrats are looking at everything from the ridiculous (printing a trillion-dollar coin) to outright abdication of Congressional responsibility. But avoiding this problem will only make it worse."

The White House seems to agree. This is, in fact, the second time that the Obama administration has ruled out a possible end run on the debt ceiling. In December, Press Secretary Jay Carney said, "This administration does not believe the 14th Amendment gives the president the power to ignore the debt ceiling — period."

The administration's position is that raising the debt limit is Congress's responsibility until the day that Congress votes to make it the White House's responsibility, which is a resolution the Obama administration would happily accept. Until then, White House officials say, they will not negotiate over the debt ceiling, and if congressional Republicans attempt to use it as leverage, then the consequences will be theirs to bear.

Non-responsive

From: Coley, Anthony
Sent: Sunday, January 13, 2013 7:57 PM
To: _DL_FYI
Subject: WSJ: Ugly Choices Loom Over Debt Clash

WSJ: Ugly Choices Loom Over Debt Clash

By DAMIAN PALETTA And JON HILSENRATH

The showdown over the nation's debt ceiling could force the government to consider drastic steps to manage its limited cash, including delaying trillions of dollars of payments to employees, Social Security recipients, contractors and others.

The Obama administration hasn't said publicly what it would do if Congress refuses to raise the $16.4 trillion federal borrowing limit, leaving the government unable to pay bills. The White House said Saturday in a statement that "there are only two options to deal with the debt limit: Congress can pay its bills or it can fail to act and put the nation into default."

One course the Treasury Department could take is to revisit proposals considered during the 2011 borrowing-limit crisis. Those included selling assets such as gold or mortgage-backed securities to raise funds, cutting all spending by 40% or prioritizing some payments over others—for example, paying Social Security recipients before military contractors.

But the proposal considered most viable at the time was to pay the government's bills only as tax revenue became available, delaying many payments. The crisis was averted by Congress before Treasury officials or the president made a final decision on contingencies, according to a Treasury inspector general's report released last year and recent interviews with several people familiar with situation.

Administration officials are working on updated estimates of when the Treasury will run short of cash and could release those projections in coming days.

According to the Bipartisan Policy Center, a Washington think tank, the Treasury will hit that point between Feb. 15 and March 1 unless the debt ceiling is raised.
One thing the White House says it won't do is to pursue a somewhat fanciful idea of minting a $1 trillion platinum coin and depositing it at the Federal Reserve as a way to raise funds without borrowing. The administration also has ruled out borrowing beyond the ceiling by invoking the 14th Amendment's clause on public debt, which some argue would permit the practice.

In a letter Friday to the president, Senate leader Harry Reid of Nevada and other Senate Democratic officials urged President Barack Obama to take "any lawful steps" to keep paying government bills in a debt-ceiling crisis. They also said they backed Mr. Obama's contention that he wouldn't negotiate with Republicans over conditions to raising the ceiling.

The U.S. had been scheduled to hit the debt ceiling Dec. 31, but the Treasury began using short-term measures to prevent the government from defaulting on its obligations.

Some have pushed the White House to disclose more about its contingency planning. Sen. Orrin Hatch (R., Utah) said in a statement Friday, "Given the administration's ongoing threat that seniors and our women and men in uniform may not receive paychecks that they depend on, it's only reasonable that we know their plan B."

Treasury Department spokesman Anthony Coley said, "There is no plan B. The only way to protect American families and businesses is for Congress to do its job."

In the House, the majority Republican party says it won't raise the debt limit without spending cuts of equivalent amounts. Mr. Obama has said he won't negotiate over the matter, saying it is the responsibility of Congress to enable the government to pay bills it has incurred.

The government spends 40% more than it takes in and borrows money to cover the difference. Without an increase in the debt ceiling, the Treasury won't be able to borrow the additional money needed to pay all its bills.

Failure to make payment on even some of its obligations could wreak havoc in the economy and financial markets and possibly trigger another financial crisis and recession, analysts have warned.
When Treasury officials faced this possibility in the summer of 2011, they leaned toward recommending a strategy of delaying government payments, according to the inspector general's report, which was released in August in response to requests by Mr. Hatch.

Under this approach, the government would pay bills on a day-by-day basis only when it had enough cash on hand from tax receipts and other revenue. On days when it was short of cash, it would postpone all payments until enough cash came in to make that day's payments. Then it would put off the next day's payments until enough cash came in to make those, and so on.

"It was the department's organizational view that the least harmful option available to the country at the time, of these very bad options, was to implement a delayed-payment regime," Eric M. Thorson, a Treasury inspector general, said in his report.

Officials appeared to have ruled out as unworkable the idea of prioritizing payments.
"Treasury officials determined that there is no fair or sensible way to pick and choose among the many bills that come due every day," the report said.

The report left unanswered whether a delayed-payment regime would have included postponing interest payments on U.S. Treasury securities. Obama administration officials declined to comment on the matter.

Treasurys are a bedrock of the global financial system. Missing an interest payment on a Treasury security could spark turmoil in financial markets, cause lasting damage to the government's credit rating, raise government borrowing costs and hurt the economy.

But a system that paid bondholders their interest while delaying other payments could cause a political uproar, a concern President Obama expressed in 2011.
"Are we really going to start paying interest to Chinese who hold Treasurys and we're not going to pay folks their Social Security checks?" Mr. Obama asked then.

Mr. Thorson said Treasury officials never developed a final proposal in 2011. Its plans instead were described as "pre-decisional, working drafts of options."

As Treasury officials consider their options this year, they could put off until the last minute any contingency plan—a strategy Treasury Secretary Timothy Geithner has use during previous crises to , which Mr. Geithner calls "preserving optionality,"keep all options open until very late in thedecision-making process.

But that could contribute to public uncertainty that may destabilize financial markets and slow growth.
"Congress and the American people need to know of any government crisis contingency plans that were put in place," Mr. Hatch said in a letter to the inspector general in October 2011.

However, Mr.Delmar said in an email exchange, "Given the unprecedented and extraordinary nature of the situation, we believe that it was reasonable that Treasury did not have a final, approved contingency plan."

Further complicating the situation, Mr. Geithner's last day at the department is Jan. 25. It is unknown what his nominated successor, White House Chief of Staff Jacob Lew, would recommend.

Moreover, Mr. Lew might not be confirmed by the Senate in time to activate a plan. That could leave the Treasury's No. 2, Neal Wolin, who likely would serve as acting secretary during any interregnum, to lead the agency's response.

Non-responsive

From: LeCompte, Jenni
Sent: Sunday, January 13, 2013 1:02 PM
To: _DL_FYI
Subject: AP: Hitting the debt limit: What bills would be paid?

Hitting the debt limit: What bills would be paid?

By JIM KUHNHENN

WASHINGTON -- In the summer of 2011, when a debt crisis like the current one loomed, President Barack Obama warned Republicans that older Americans might not get their Social Security checks unless there was a deal to raise the nation's borrowing limit.

After weeks of brinkmanship, Republicans consented and Obama agreed to a deficit-reduction plan the GOP wanted. Crisis averted, for a time.

Now that there's a fresh showdown, the possibility of Social Security cuts -and more - is back on the table.

The government could run out of cash to pay all its bills in full as early as Feb. 15, according to one authoritative estimate, and congressional Republicans want significant spending cuts in exchange for raising the borrowing limit. Obama, forced to negotiate an increase in 2011, has pledged not to negotiate again.

Without an agreement, every option facing his administration would be unprecedented.

It would require a degree of financial creativity that could test the law, perhaps even the Constitution.

It could shortchange Social Security recipients and other people, including veteran and the poor, who rely on government programs.

It could force the Treasury to contemplate selling government assets, a step considered but rejected in 2011. In short, the Treasury would have to create its own form of triage, creating a priority list of its most crucial obligations, from interest payments to debtors to benefits to vulnerable Americans.

"It may be that somewhere down the line someone will challenge what the administration did in that moment, but in the moment, who's going to stop them?" asked Douglas Holtz-Eakin, a former director of the Congressional Budget Office. "I pray we never have to find out how imaginative they are."

In such a debt crisis, the president would have to decide what laws he wants to break. Does he breach the borrowing limit without a congressional OK? Does he ignore spending commitments required by law?

In a letter to Obama on Friday, Senate Democratic leaders urged him to consider taking any "lawful steps that ensure that America does not break its promises and trigger a global economic crisis - without congressional approval, if necessary."

The White House has resisted that path. It has rejected recommendations that it invoke a provision in the 14th Amendment to the Constitution that states that "the validity of the public debt of the United States ... shall not be questioned."

"There are only two options to deal with the debt limit: Congress can pay its bills or they can fail to act and put the nation into default," White House press secretary Jay Carney said. "Congress needs to do its job."

So what's left if Congress does not act in time?

Technically, the government hit the debt ceiling at the end of December. Since then, Treasury Secretary Timothy Geithner has halted full payments into the retirement and disability fund for government workers and to the health benefits fund of Postal Service retirees.

The Treasury can stop payments to a special fund that purchases or sells foreign currencies to stabilize world financial markets.

Past administrations have taken such steps to buy time awaiting a debt ceiling increase. That happened under Presidents Bill Clinton and President George W. Bush. The government restored those funds after Congress raised the debt ceiling.

Those measures and others could keep the government solvent, perhaps as far as early March, according to an analysis by the Bipartisan Policy Center.

There are other extreme possibilities as well.

The federal government could sell some of its assets, from its gold stockpile to its student loan portfolio.

"All these things are in principle marketable, and in a crisis you'd get huge discounts on them," said Holtz-Eakin, now head of the American Action Forum, a conservative public policy institute. "They wouldn't be good ordinary business, but you would be in extraordinary times."

According to a treasury inspector general report last year, department officials in 2011 considered and rejected the idea, concluding that gold sales would destabilize the international financial system, that selling off the student loan portfolio was not feasible and that such "fire sales" would buy only limited time.

An idea pushed by some liberals would take advantage of a legal loophole meant for coin collectors and have the Treasury mint platinum coins that could be deposited at the Federal Reserve and used to pay the nation's bills. But the Treasury issued a statement Saturday putting the idea to rest, saying neither the department nor the Federal Reserve believes the law "can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit."

Once all efforts are exhausted, then the government would be in uncharted territory.

At that point, the government would continue to get tax revenue, but hardly enough to keep up with the bills. According to the Bipartisan Policy Center, the federal government between Feb. 15 and March 15 will get $277 billion in revenue and face $452 billion in obligations.

The Treasury would have to decide whether to pay some obligations and not others or to simply pay for one day's bills as it tax revenue rolls in, exponentially delaying payments the longer the debt ceiling is not raised. Under virtually every scenario contemplated, payment of interest on the debt takes precedence to put off a calamitous default.

"I happen to think the triage would be chosen to create the maximum amount of political pressure to break the impasse right away, which would be withholding Social Security checks," said Philip Wallach, a fellow at the Brookings Institution.

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Non-responsive

From: LeCompte, Jenni
Sent: Sunday, January 13, 2013 12:56 PM
To: _DL_FYI; Brundage, Amy
Subject: Economist (lp): Treasury rejects the platinum coin

http://www.economist.com/blogs/freeexchange/2013/01/treasury-rejects-platinum-coin#comments

Treasury rejects the platinum coin
Deminted
Jan 13th 2013, 1:33 by G.I. | WASHINGTON, D.C.

The platinum-coin option is no longer an option.
In recent months, many in the blogosphere and increasingly in America's liberal mainstream had called on the Administration to exploit an obscure law that allows the Treasury to mint platinum coins in any denomination. Mint a $1 trillion coin, advocates said, deposit it at the Fed, and use the proceeds to pay the government's bills until Republicans in Congress agree to raise the debt ceiling. It certainly sounded rather banana republic, but no more banana republic than a legislature refusing to let the executive pay bills that the legislature had already authorised. Whatever damage America's reputation suffered from using a coin collector's loophole to service the nation's obligations could not exceed the damage from pointless default.
In the past few weeks, lawyers, economists, bloggers and even former mint officials have argued over the legal, practical, political and economic aspects of such an option. On Friday, January 11th, the Senate's Democratic leadership seemed to warm to the idea, asking the Administration to "take any lawful steps" to avoid default "without Congressional approval, if necessary" (via the Washington Post (http://www.washingtonpost.com/politics/senate-democrats-urge-obama-to-bypass-republicans-on-the-debt-ceiling/2013/01/11/8a88e19c-5c2e-11e2-88d0-c4cf65c3ad15_story.html
)). In the end, though, the only opinions that mattered are those of the Administration and the Fed.
Today, the Treasury Department made its, and the Fed's, opinion clear:
it's not going to happen. "Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit," said Anthony Coley, a Treasury spokesman.
There are at least three reasons why this option has been rejected. The first is that it's probably not legal for the Federal Reserve to facilitate such a transaction for the purpose of financing the government. The second is that even if it were legal, it would seriously hurt the reputation and credibility of the Fed, fueling accusations it had subordinated monetary policy to fiscal policy. (This is discussed in more detail in a previous post (
http://www.economist.com/blogs/freeexchange/2013/01/economics-platinum-coin-option
).) The third and most important is that it lets Congress evade its responsibility for dealing with the debt ceiling.
Of course, the Fed and Treasury have stretched the bounds of legal authority in previous emergencies, whether it was use of the Exchange Stabilization Fund in 1994 to support Mexico or the numerous bail-outs and support programmes during the 2007-2009 financial crisis. Those examples do not apply to the debt ceiling; it is a political, not financial constraint and is entirely within the power of Congress to solve. The same logic explained Treasury's resistance to direct lending, either by it or the International Monetary Fund, to a bail-out fund for Europe's embattled sovereign borrowers. Europe had all the necessary financial resources; it merely lacked the political will. Using the Fed's balance-sheet would provide the politicians an excuse not to act without resolving the underlying problem. For the same reason, other out-of-the-box tactics like invoking the 14th amendment to the constitution, which says the validity of the public debt "shall not be questioned", and selling off the nation's gold are off limits. "There are only two options to deal with the debt limit: Congress can pay its bills or it can fail to act and put the nation into default," the White House said today in a statement.
So the showdown over the debt limit, which will probably be reached sometime between February 15th and March 1st, will end in one of two

ways: with the limit being raised in time, or Treasury being unable to pay some of its bills, though it can prioritise interest payments at first so as to avoid default on the debt. The odds overwhelmingly favour the first. Since the destructive fight over the ceiling in 2011, Republicans' appetite for a showdown has diminished, and they have at least two other points of leverage without the same catastrophic
consequences: steep, across-the-board spending cuts (called a sequester), which kick in at the start of March, and expiration several weeks later of the continuing resolution that funds roughly a third of the government. Allowing either of those events to happen would be unpleasant and damaging, but within the range of unpleasant and damaging things that the economy had dealt with before.

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From: LeCompte, Jenni
Sent: Sunday, January 13, 2013 12:55 PM
To: _DL_FYI
Subject: HuffPo: Paul Krugman: GOP Debt Ceiling Strategy Is 'Hostage Taking'

Paul Krugman: GOP Debt Ceiling Strategy Is 'Hostage Taking'

The Huffington Post | By Jillian Berman Posted: 01/13/2013 11:31 am EST | Updated: 01/13/2013 12:06 pm EST

Paul Krugman on Sunday accused the Republican leadership of holding the country hostage.

The Nobel-Prize winning economist and New York Times columnist argued that congressional Republicans are "threatening to blow up the world economy" if they don't get their way in the debt-ceiling debate. After a difficult fiscal cliff battle, President Barack Obama said he would not negotiate over the debt ceiling, but Republicans have said they won't authorize an increase in the country's spending limit without major spending cuts.

"We should not allow this to become thought of as a legitimate or normal budget strategy," Krugman said on ABC's "This Week." "This is hostage taking."

Krugman has made similar statements in the past, particularly when defending the idea of minting a trillion-dollar platinum coin to avoid the debt ceiling crisis -- a loophole the White House ruled out Saturday. In a blog post earlier this month, Krugman argued that Obama should be ready to mint the coin because it offered a "silly, but benign" solution to the crisis. The alternative: Putting the nation's ability to meet its financial obligations at risk, an option that Krugman described as "both vile and disastrous."

"The debt ceiling is a fundamentally stupid but dangerous thing," Krugman said on "This Week." "It's incredibly scary, this is much scarier than the fiscal cliff," he added later.

If Congress does nothing to raise the debt ceiling, the U.S. could lose its ability to meet its financial obligations by as early as February 15, according to a recent report from the Bipartisan Policy Center. Republican leaders and the White House came to an agreement earlier this month to address the so-called fiscal cliff, a combination of tax increases and spending cuts that economists warned could have plunged the country into recession.

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Non-responsive

From: Anderson, Matthew
Sent: Monday, January 14, 2013 8:38 PM
To: _DL_FYI
Subject: NYT: Obama Says G.O.P. Won't Get 'Ransom' to Lift Debt Limit

NYT: Obama Says G.O.P. Won't Get 'Ransom' to Lift Debt Limit

By JACKIE CALMES and JONATHAN WEISMAN

WASHINGTON — With each side claiming popular support, President Obama and Congress's Republican leaders on Monday dug in on their conflicting positions about raising the nation's debt limit, indicating that the president's second term will open with a potentially perilous budget showdown.

Mr. Obama called the final news conference of his first term to reinforce before national television cameras his demand that Congress unconditionally increase the legal limit on the government's authority to borrow money to pay its bills. But Republicans continued to insist that he agree to equal spending cuts.

"They will not collect a ransom in exchange for not crashing the American economy," Mr. Obama vowed in the East Room, a week before his second inauguration. "The financial well-being of the American people is not leverage to be used. The full faith and credit of the United States of America is not a bargaining chip."

House Speaker John A. Boehner, immediately after Mr. Obama's news conference, said in a statement: "The American people do not support raising the debt ceiling without reducing government spending at the same time. The consequences of failing to increase the debt ceiling are real, but so, too, are the consequences of allowing our spending problem to go unresolved."

With the president refusing to negotiate over the essential increase and Republicans saying he must, reporters pressed Mr. Obama about whether he is considering some executive action to sidestep Congress and raise the debt ceiling — as Democratic leaders have urged. But Mr. Obama declined to answer directly, and his administration has ruled out proposals to either invoke authority under the 14th Amendment or mint a platinum coin as a sort of collateral for more debt.

The debt issue dominated the news conference, and later the Treasury secretary, Timothy F. Geithner, added to the pressure by writing to Congressional leaders that the department still expects to hit the limit between mid-February and early March.

"Treasury would be left to fund the government solely with the cash we have on hand on any given day," he said, forcing it to choose among creditors, federal contractors, veterans, Social Security andMedicare beneficiaries and the many other claimants to federal dollars. Some Republicans support temporarily making choices among claimants, but the administration and some financial analysts say that approach would be unworkable and amount to the nation's first default on its obligations.

Separately, Mr. Geithner and Gene Sperling, director of the White House National Economic Council, held a conference call with corporate executives, many of whom have expressed concern the threat of default could damage the economy, as it did in mid-2011. The administration is hoping that business leaders can persuade Republicans to avoid confrontation over the debt limit, but party leaders were undeterred.

The Federal Reserve chairman, Ben S. Bernanke, also called on Congress to increase the debt ceiling to cover bills that it has already incurred. "The right way to deal with this problem is for Congress to do what it is supposed to do and what it needs to do," Mr. Bernanke, a Republican originally appointed by President George W. Bush and later reappointed by Mr. Obama, said in a speech at the University of Michigan.

On a separate topic at the news conference, Mr. Obama defended his record on appointing women and minorities to administration jobs, responding to criticism of the largely white male composition of his inner circle and recent cabinet nominations.

"I would just suggest that everybody kind of wait until they've seen all my appointments, who's in the White House staff and who's in my cabinet before they rush to judgment," the president said. "It's premature to assume that somehow we're going backwards. We're not going backwards, we're going forward."

On the budget, Mr. Obama tried several times to emphasize that the debate over the debt ceiling was not one over how much the government should spend.

"I want to be clear about this: The debt ceiling is not a question of authorizing more spending," he said. "Raising the debt ceiling does not authorize more spending. It simply allows the country to pay for spending that Congress has already committed to."

He said that he agreed with Republicans that spending must be reduced to stabilize the debt. Unlike Republicans, though, he argued that such cuts should not be a condition for increasing the debt limit and should instead be part of other budget talks.

Mr. Boehner said the Republican-controlled House would pass legislation cutting spending and increasing the debt limit, and would defy Mr. Obama and the Democratic-controlled Senate to reject the package. The Senate Republican minority leader, Mitch McConnell, echoed him in a separate statement.

House Republicans will meet for a retreat on Thursday and Friday in Williamsburg, Va., largely to develop plans to get through the three approaching fiscal deadlines. In addition to the debt ceiling, the automatic across-the-board military and domestic cuts are to begin taking effect on March 1, and the law providing financing for federal operations expires March 27.

"Yes, the House is going to act," said Rory Cooper, a spokesman for Representative Eric Cantor of Virginia, the House majority leader. But, he added, "We've got nothing yet until we can sit down as a conference and hammer out what we all want to do."

Senate Democratic leaders are likely to act early next month on legislation that would allow the president to raise the debt ceiling on his own, both now and in the future. But just as the Senate would most likely reject the bill that House Republicans are considering, House Republicans would probably oppose the Senate Democrats' proposal.

Under the contemplated Senate bill, Congress could move to block an increase in the debt limit, but lawmakers would have to muster a two-thirds majority in both the Senate and House. Still, Senate Democratic leadership aides say they are unsure of their party's next move; Democrats might decide to wait until the House sends the Senate its debt-limit bill, with cuts Democrats consider unacceptable, and then seek to pass an amended version.

House Republicans have already developed a menu of cuts to programs including food stamps, children's health insurance, Medicaid, state and local grants to pay for antipoverty initiatives like Meals on Wheels and other programs. But their package underscores the challenge for even Republicans to meet their condition that spending cuts equal the amount of the debt increase.

Their tentative measure, combined with $550 billion in across-the-board reductions from other domestic programs, would save nearly $900 billion over 10 years — enough to raise

the debt ceiling for about one year, forcing Congress to look for more cuts in 2014, an election year.

Non-responsive

From: Anderson, Matthew
Sent: Monday, January 14, 2013 5:42 PM
To: _DL_FYI
Subject: The Atlantic: 4 Ways to Avert the Debt Ceiling (And the Most Likely Option Is the Scariest)

The Atlantic: 4 Ways to Avert the Debt Ceiling (And the Most Likely Option Is the Scariest)

By Matthew O'Brien

Here's why Ben Bernanke killed the platinum coin, and what it means for the debt-ceiling showdown

The coin will not be minted.

At least, not in anything remotely close to 13-digit denominations. As Ezra Klein of the *Washington Post* reports, the Treasury and Federal Reserve have ruled out creating a trillion-dollar coin, which wasa real possibility thanks to a crazy loophole, to stop us from defaulting on our obligations if the debt ceiling isn't raised. It's Congress or bust, when it comes to paying our bills on time.

This was probably the least surprising development in the history of developments. It wasn't just that the trillion-dollar coin would have been a political liability because it *sounds* silly -- that was the best, and only, argument against it -- but rather that it required the Fed to give up its sole control of monetary policy. The Fed would not do that. Now, the Treasury minting trillion-dollar coins sure sounds different from the Fed buying bonds, but it's not. It's just sterilized quantitative easing (QE), albeit with a platinum tint. Or, in English, it's printing money, buying stuff, and preventing this new money from increasing inflation. The Fed does this when it 1) electronically "prints" money, 2) buys bonds from banks with this new money, and 3) ties up these new bank reserves with operations like reverse repos. The Treasury does the same when it 1) mints the trillion-dollar coin, 2) uses it to pay for the government's existing obligations, and 3) the Fed sells bonds in equal measure to suck the money out.

You might wonder why the Fed would play along if the Treasury turned to coin seigniorage. Answer: the Fed has its inflation target, and it cares very much about hitting it. The Fed would be compelled to counter the Treasury's coin-minting, although, as as Greg Ip of *The Economist* points out, the Fed might not need to do so for quite awhile, and could resort to raising interest rates on interbank lending and reserves instead of selling long-term bonds. In either case, the Treasury would be dragging the Fed into QE it didn't want, and, as University of Oregon professor Tim Duy put it, effectively blurring the line between fiscal and monetary policy. Fed independence would be a thing of the past ... unless it killed the coin first. Which, of course, it did, as Zeke Miller of *Buzzfeed* reports. The platinum coin gambit depended on the Fed accepting it as legal currency for the Treasury's account, and the Fed said it would not. RIP, trillion-dollar coin.

Now, the trillion-dollar coin may be dead, but the debt ceiling is not. President Obama continues to insist he will not negotiate over it, but the administration has said it won't use either of the most likely work-arounds -- the 14th amendment or the platinum coin -- if it comes to that. That leaves the president with (at least) four more outlandish-ish options if House Republicans refuse to pay the bills they authorized, and one actual option. Here they are, from least likely to most likely.

-- **The Treasury could repo Mount Rushmore to the Fed.** As Karl Smith of Modeled Behavior argues, the Treasury could theoretically sell anything valuable enough, like offshore oil rights, to the Fed, and agree to buy it back later. This kind of repurchase (repo) agreement would give the Treasury cash flow if it's running so low that it can't pay the interest on our debt, but there are two big problems. First, repo agreements are not, economically-speaking, sales, but rather loans, so it would almost certainly violate the debt ceiling. And second, there's no way the Fed would do this. So there's that.

-- **The Fed could send some of its bonds back to the Treasury as dividends.** Printing money is a pretty good way to make money, never more so than the past few years. The Fed remits most of its profits -- $89 billion in 2012 -- to the Treasury, which kind of makes the Treasury its sole shareholder. As @IvanTheK first suggested, the Fed could advance some of these profits to the Treasury as a dividend if there wasn't enough incoming revenue to pay the interest on the debt on any given day during a debt ceiling standoff. It's an elegant solution, but, again, not one the Fed is likely to go for.

-- **Use IOUs to pay our bills.** If we don't hit the debt ceiling, we will immediately have to stop paying 40 percent of our bills ... unless we pay the rest with IOUs. Paul Krugman proposed

something along these lines, and law professor Edward Kleinbard points out that California successfully used them during its own budget crisis in 2009. Back then, California paid people with IOUs yielding 3.75 percent that people could trade to banks for cash at a slight haircut. In other words, the banks made money off the trades. The federal government could do the same, but there are a few legal hurdles. If the IOUs pay any interest, it's hard to see how they're not debt; but if they don't pay any interest, it's hard to see how they're not money. Either would be illegal. Maybe everybody would be happy enough with this arrangement not to challenge it, like in California, but maybe not -- not to mention the awful optics of "Obama dollars".

-- **Refuse to negotiate, and blame the Republicans for any economic damage.** Welcome to everybody's favorite game, debt ceiling chicken! Here's how it works. Obama says there's nothing he can do to lift the debt ceiling on his own; that's it up to Republicans to pay the country's bills; and that if they don't, they will get blamed for Social Security checks not going out. It's the strategy former Treasury Secretary Robert Rubin used back in the mid-90s when then-Speaker Newt Gingrich threatened to hold the debt ceiling hostage, and it's the strategy Obama seems to be using now. As Ezra Klein points out, Obama has deliberately ruled out all of these different debt ceiling end-arounds, because he doesn't want Republicans to think they have any alternative to increasing it themselves. Now, maybe half of them really do welcome default, as *Politico* reports, but maybe not. That's a terrifying bunch of "maybes", but it's where we are today.

In other words, Obama is happy not to mint the coin, because he thinks minting it reduces his leverage. Now it's a psychological game of chicken, with Obama and Republicans accelerating toward the other, each convinced they cannot swerve, and when they meet in the middle, they'll set off the mother of all global market crashes.

And you thought a trillion-dollar coin was crazy.

This article available online at:

http://www.theatlantic.com/business/archive/2013/01/4-ways-to-avert-the-debt-ceiling-and-the-most-likely-option-is-the-scariest/267121/

Non-responsive

From: Anderson, Matthew
Sent: Monday, January 14, 2013 12:59 PM
To: _DL_FYI
Subject: CNBC (Carney): Did Obama Just Take Default Off The Table?

CNBC (Carney): Did Obama Just Take Default Off The Table?

WALL STREET, BUSINESS NEWS
By:John Carney | Senior Editor, CNBC.com
CNBC.com | Monday, 14 Jan 2013 | 12:34 PM ET

President Barack Obama may have just hinted that his administration will prioritize payment on government bonds over other obligations—a move that would allow the United States to avoid a default on its debt in the event that the debt ceiling is not raised.

At a press conference at the White House, Obama listed a number of programs that the government would not be able to pay for if the debt ceiling isn't raised. He included such things as Social Security benefits, salaries for air-traffic control and veteran's benefits. But he quite clearly—and almost certainly, intentionally—left out the idea that the
U.S. might not make all debt payments as they come due.

"If congressional Republicans refuse to pay America's bills on time, Social Security checks, and veterans benefits will be delayed. We might not be able to pay our troops, or honor our contracts with small business owners. Food inspectors, air traffic controllers, specialist who track down loose nuclear materials wouldn't get their paychecks," Obama said.

When he did mention debt, it was not in the context of the government delaying payments. Instead he spoke of questions that might be raised by financial markets.
"Investors around the world will ask if the United States of America is in fact a safe bet. Markets could go haywire, interest rates would spike for anybody who borrows money," Obama said.

The change from payments that "will be delayed" to market reactions is significant.

There is no clear legal authority for the president to prioritize payments, deciding which bills to pay and which to delay. Some say it would be illegal for the president to refuse to pay for spending authorized by Congress. Others believe there is a mandate to pay debt before other obligations. Some legal scholars argue that Obama's is only faced with illegal and unconstitutional options—and so should choose the least unconstitutional options. One recent paper said that president should just ignore the debt ceiling and issue debt.

Ultimately, none of these questions have ever been tested.

Obama's remarks today indicate that he does not consider ignoring the debt ceiling an option. Likewise, he rejected any of the various contrivances (such as using a platinum coin or the 14th Amendment) offered by various people outside the administration for escaping the limitations of the debt ceiling.
With default off the table now too, it looks as if prioritization is the administration's plan in case the debt ceiling impasse continues. This would likely mean the shut down of many important government functions. But it also means we will avoid the worst case scenario of the U.S. government defaulting on its sovereign bonds.

Follow me on Twitter @Carney

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From: Ma, Stephanie
Sent: Monday, January 14, 2013 9:37 AM
To: _DL_FYI
Subject: American Banker's Morning Scan for Monday, January 14, 2013

Receiving Wide Coverage ...

Debt Ceiling Update: A *Journal* article this morning looks at Treasury's options for paying the nation's bills should Congress refuse to raise the $16.4 trillion federal borrowing limit. These option include "selling assets such as gold or mortgage-backed securities ... cutting all spending by 40% ... delaying trillions of dollars of payments to employees, Social Security recipients, contractors and others" or paying the government's bills only as tax revenue become available. The last proposal is considered "most viable," according to the paper, but the general takeaway seems to be none of these contingency options are good. This is problematic since another showdown over the debt ceiling is looking increasing likely. Recent estimates from the Bipartisan Policy Center, a Washington think tank, say Treasury will run short of cash between Feb. 15 and March 1 unless the debt ceiling is raised.

Over the weekend, Treasury also formally said it would not be minting a $1 trillion platinum coin in order to avert a crisis. Avid Scan readers may recall that this "somewhat fanciful idea" — the *Journal*'s words, not ours — is based on an arcane loophole that permits the Treasury to mint platinum commemorative coins in any denomination. Many media commentators and some notable economists have actually endorsed this course of action over the last few weeks, arguing the president could have such a coin created by Treasury, deposited into the Federal Reserve and the prevent the expected debt ceiling fight with Congress. In other crazy idea news, the Obama administration over the weekend also rejected the notion that the U.S. should build a Death Star.

Wall Street Journal

Amex's decision to cut 5,400 jobs in an effort to cut expenses marks the "end of an era" for the company and its long-established consumer-travel business, as even corporate clients turn to booking trips online. "This is just another step in Amex reinventing themselves from what was an analog business to what is a digital business," one analyst told the paper.

Banks have been largely disappointed by their forays into China, says this article, which uses Bank of America's (now minor) investment into China Construction Bank Corp. and HSBC's (possibly sold) stake in Ping An Insurance as examples of deals that didn't pan out as expected. According to the paper, global firms sold about $44 billion worth of shares in Asian financial institutions to institutional investors or other strategic buyers in 2012, up from $32.7 billion in 2011, a retreat that is "gathering pace as a host of new regulations, including the so-called Basel III capital rules, make holding minority stakes in financial institutions more expensive."

Speaking of Basel III, this "Heard of the Street" column points out that, despite, "chest-thumping" from big banks over their estimates of Tier 1 common capital, large U.S. banks have chosen not to disclose estimates of their leverage ratios, which could ultimately prove problematic. "U.S. banks show the 'net' value of their derivative assets and liabilities on the face of the balance sheet. Under the Basel leverage rules, though, some of these will be included in their assets," author David Reilly writes. "That will potentially make them look more levered. This could call into question claims about how thick their fortress walls actually are, even as they look to return 'excess' capital to shareholders."

This Letter to the Editor points out that foreclosure delays are not solely based on whether or not a state is judicial or nonjudicial, though the author does acknowledge the distinction, highlighted in an earlier article in the paper, can play a part in the process. "From experience working in a judicial state, I know that fault also lies with lenders who delay proceedings once filed because they are reluctant to take title and assume all the responsibilities inherent in owning real-property," he writes. "As is often the case, the analysis needs to be taken further than face value."

Financial Times

Goldman Sachs is "considering delaying U.K bonus payouts until after April 6 when the top rate of income tax falls from 50 to 45%," a move that is expected "to prove controversial despite being perfectly legal."

Big U.S. banks are expected to report "the thinnest margins between the rates at which they borrow and lend since the 1950s," thanks largely to the Federal Reserve's ultra-low interest rate policy.

Bank of America is leading the way when it comes to selling off its mortgage servicing rights. Meanwhile, Wells Fargo is dominating post-crisis lending.

New York Times

Senior deal maker Piero Novelli is set to rejoin UBS as its global chairman of mergers and acquisitions.

Non-responsive

From: Weil, Matthew
Sent: Monday, January 14, 2013 12:07 AM
To: _DL_FYI
Subject: TNR (blog): Keep the Change: Why Obama Has No Use for Platinum Coins

Keep the Change: Why Obama Has No Use for Platinum Coins

By Jonathan Cohn, January 13, 2013 | 11:12 pm

The platinum coin has a future as a collector's item but not, it would seem, as a way to avoid the debt ceiling.

The Obama Administration announced late Saturday that it will not be minting a trillion dollar coin and depositing it in the Federal Reserve, thereby giving the government borrowing authority it currently lacks. Without that new borrowing authority, which congressional Republicans are refusing to provide unless Obama agrees to spending cuts, the government can't pay its bills. And, as you may have heard, the government has a lot of bills to pay—to Social Security recipients, for example, and to vendors who sell products to the government. The government also owes interest payments to the holders of U.S. bonds. Defaulting on those payments could, according to many economists, be catastrophic.

Obama's decision, first reported by Ezra Klein in the Washington Post, is not surprising. Obama did not avail himself of the coin option in 2011, the first time Republicans used the once-routine debt ceiling increase to extract fiscal policy concessions. Similarly, the administration has ruled out borrowing money on its own authority, by drawing on the 14th Amendment for justification. An array of legal scholars has indicated that one, if not both, of the options would be constitutional. But Obama has never shown even the slighest enthusiasm for these maneuvers.

The interesting question is why. By refusing to increase the debt ceiling, the Republican Congress is practicing a form of economic extortion. The coin, like the 14th Amendment, seemed to give the administration a chance to stop that extortion from working. Just this week, Senate Democratic leaders issued a letter, made public by Greg Sargent in the Post, practically begging Obama to invoke this sort of authority. With Saturday's announcement, Obama basically said "no thanks." Is this yet another one of those concessions that congressional Democrats and other administration allies will come to rue?

Maybe. But the White House doesn't think it's backing down. Administration officials believe they are standing firm—that the coin option, if anything, was becoming a distraction. "There are no magic coins," one senior official told the Huffington Post. "There is no way to get out of this. We feel fine about the politics of it. We think we are in a stronger position if Republicans realize there is no out."

That assessment may be correct. Polls suggest that Republicans will take most of the blame for a prolonged showdown—and any economic consequences it brings. History implies the same. Approval ratings for congressional Republicans fell after the summer of 2011. Republicans had reason to risk the political backlash back then, because they knew that Obama, already facing a tough reelection battle, would feel it too. This time around, the calculus has to be different. House Republicans still have to run for reelection in two years. Obama has to run for reelection...never.

Republican congressional leaders seem to recognize this, even if some of their members do not. For the last week or two, they have been hinting they're looking for ways to avoid another debt ceiling fight. During an interview with the Wall Street Journal, House Speaker John Boehner talked about the debt ceiling as "one point of leverage" but specified that it was "not the ultimate leverage." A little over a week ago, on the Sunday shows, Senate Minority Leader Mitch McConnell dodged repeated questions about the debt ceiling. Meanwhile, Republicans are under coming under pressure from supporters in the business community, who worry about the economic repercussions of hitting the debt ceiling.

The platinum coin idea had recently gained a lot of support from some pretty influential writers and thinkers, among them Paul Krugman and Josh Barro. But as the notion gained credibility, it also became a media obsession. Was the idea a faithful reading of the law? How would Republicans react? Whose face would go on the coin? Serious practical questions

also loomed—in particular, would the Federal Reserve even accept the deposit? (The White House cited this issue explicitly in its announcement on Saturday.)

Time spent answering those questions was time not spent exploring what default might mean for Social Security beneficiaries or how default might ripple through the economy. You can safely assume West Wing officials worried that a protracted debate about the coin's propriety was going to make their job more difficult, not less, by interfering with their ability to portray the debate in simple, straightforward terms.

Josh Marshall captured this thinking well in a recent post:

> *One of the big problems with the debt-ceiling drama is that the vast majority of people don't understand what's being discussed. You hear relatively serious people on the news acting as though it's Obama asking to spend more money or even unlimited money. So you have misunderstandings about what it means, compounded by tendentious misrepresentations and then simple inattention. But, as we're already seeing on the standard misinformation sites, the second you start talking about the President minting a special trillion dollar quarter, people pop up and say, What the F#*% are you talking about?*
>
> *In other words, the Platinum coin has the additional magic of making it look like the President is the one doing something reckless and totally crazy rather than Congressional Republicans who are the ones really doing it.*

But having foresworn the coin option, the administration puts even more pressure on itself to prevail in a standoff with the Republicans. Obama says he won't negotiate over the debt ceiling. But, come February, he (or his allies in Congress) will be be negotiating with Republicans over two other fiscal issues, the automatic spending cuts of the "sequester" and the need for a new spending bill to keep the government operating. Republicans are sure to bring up the debt ceiling in these discussions. Treating it as a distinct matter, off-limits for negotiating, will be difficult.

Choose your analogy—hostage-taking, a game of chicken, whatever. The question remains, will the administration flinch first? The administration says no, but its allies wonder. "Ruling out the coin idea is, by itself, understandable," one senior Democratic aide said via e-mail, "but the refusal to assert any form of leverage whatsoever is maddening."

Non-responsive

From: Anderson, Charles
Sent: Wednesday, January 09, 2013 8:30 PM
To: _DL_FYI
Subject: Reuters Op-ed (Felix Salmon): The game theory of #mintthecoin

The game theory of #mintthecoin

By Felix Salmon

JANUARY 9, 2013

As Cardiff Garcia says, when it comes to #mintthecoin, "it's important for advocates to define carefully what they're actually calling for". The basic matrix, as I see it, looks a bit like this:

	Don't mint the coin	**Mint the coin**
Threaten to mint the coin	*Bluff*	*Open Defiance*
Don't threaten to mint the coin	*Negotiate*	*Last Resort*

I'm in the bottom-left corner: Negotiate. That's the job of the President of the United States: to negotiate with Congress, rather than to do tricksy, Constitutionally-dubious end-runs around it. Joe Weisenthal, to his credit, is also clear where he stands — he's in the bottom-right corner. He doesn't advocate using the threat of minting the coin as a negotiating tool; rather, he's advocating that negotiations should happen as normal, and only in the very last resort, if all negotiations fail, should the coin be deposited at the Federal Reserve so as to avoid a catastrophic default.

One problem is that it's very hard to keep the existence of the coin secret, especially if the executive-branch negotiators, who are going to be spending a lot of time with the representatives of House Republicans, know that they have it in their metaphorical back pocket. Basically, the existence of a secret plan to mint a coin is functionally equivalent to a public threat to mint the coin, if the House Republicans find out about the secret plan. In that event, the Negotiate strategy becomes the Bluff strategy. And as Cardiff says, the Bluff strategy is really stupid:

For the Republicans, having Obama threaten to use the coin might be wonderful news because then they could force him to actually use it. By this reasoning, not only will the worst-case scenario of default be avoided, but they could then look forward to screaming "Dictator!" while accusing him of having used a legally questionable tactic (or at least of going against the intent of the law) and of running an end-around on the balance of powers (and actually they'd be right about this).

This argument would be ludicrously hypocritical, but unfortunately it would also play better publicly than the hypothetical White House defence. Which would probably sound something like this: "The Republicans backed me into a corner again, and despite my being the president who said that we should all put aside childish things, I ordered a shiny coin and called it a trillion dollars, which I'm allowed to do because of a poorly written amendment to a law that was undeniably meant for something else." Not exactly a winning case.

The Open Defiance strategy — let's just print the coin anyway, and thereby stop the House Republicans from using the threat of default as a negotiating tactic — looks pretty silly too, because you're basically using a sledgehammer to crack what might ultimately be a pretty thin nut. At this point, it's worth moving out of the econowonkosphere and into the even weirder world of Republican politics. Once we get there, we learn from the likes of Greg Sargent and Kim Strassel that the Republicans aren't nearly as coherent on this issue as they were in 2011, and that, in Strassel's words, there's a good chance that "Round Two is already Mr. Obama's".

The grown-up Negotiate strategy, it turns out, actually has an incredibly high chance of success, while any other strategy risks creating massive political chaos. (I can easily, for example, see the Republican party refusing to support *any nominee at all* for key positions like Defense and Treasury and State, if Obama goes all scorched-earth with a Coin strategy.)

The Negotiate strategy is far from ideal, of course. Since the debt ceiling has been and will be reached many, many times, even something with a very high chance of success is statistically certain to fail eventually. So the obvious best-case scenario is to abolish the debt ceiling entirely, or, failing that, to raise it to, say, a few quadrillion dollars. But right now, when we've already reached the debt ceiling, is probably not the best time to try to negotiate such a thing. (In fact, any time there's a Democrat in the White House is probably not the best time to try to negotiate such a thing.) For the time being, the executive branch should do what the executive branch has always done when the debt ceiling looms, which is to persuade Congress to raise it.

It's worth adding a meta-media note here, too. The #mintthecoin meme has successfully migrated from the outer reaches of the econoblogosphere into a fair amount of mainstream media coverage, and as a result it has actually started to be taken seriously outside the Beltway. And even, in a few cases, inside the Beltway too. But be clear, this is absolutely a media-driven meme: people talking about it are not talking about an actual political proposal which an important number of serious DC politicians genuinely want to implement. As I say, it's a Flying Spaghetti Monster thing — it's a ticklish thought experiment, nothing more. Many media organizations are having a lot of fun with it, and that's their right. But, especially in this case, it's important not to mistake media coverage for reality.

Non-responsive

From: Anderson, Matthew
Sent: Saturday, January 12, 2013 4:41 PM
To: _DL_FYI
Subject: HuffPo: Platinum Coin Dismissed: White House Ratchets Up Pressure On GOP To Deal With Debt Ceiling

HuffPo: Platinum Coin Dismissed: White House Ratchets Up Pressure On GOP To Deal With Debt Ceiling
Posted: 01/12/2013 4:12 pm EST | Updated: 01/12/2013 4:37 pm EST

WASHINGTON -- In the wake of news that both the Treasury Department and the Federal Reserve rejected the minting of a trillion dollar coin as a solution to help raise the debt ceiling, the White House issued the following statement to The Huffington Post.

"There are only two options to deal with the debt limit: Congress can pay its bills or they can fail to act and put the nation into default," said Press Secretary Jay Carney. "When Congressional Republicans played politics with this issue last time putting us at the edge of default, it was a blow to our economic recovery, causing our nation to be downgraded. The President and the American people won't tolerate Congressional Republicans holding the American economy hostage again simply so they can force disastrous cuts to Medicare and other programs the middle class depend on while protecting the wealthy. Congress needs to do its job."

If there were any lingering doubts about how the Obama administration will handle the debt-ceiling issue, Saturday's pronouncements put them to rest. Moments before Carney offered his statement, Treasury spokesman Anthony Coley offered one of his own, declaring that "neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit."

And so, there will be no coin minted to assist Treasury with its efforts to help the country meet its financial obligations. The politics of the debt ceiling standoff are now a bit simpler.
It won't negotiate over raising the debt ceiling. On the other hand congressional Republicans have threatened to default unless they receive a significant amount of spending cuts or entitlement reforms first. There are no outs for either side. And while that makes the showdown far riskier, the administration also thinks it helps its hand in negotiations.

"This now puts all the pressure back where we believe it belongs: on the Republicans," a senior administration official told the Huffington Post. "There are no magic coins. There is no way to get out of this. We feel fine about the politics of it. We think we are in a stronger position if Republicans realize there is no out."